General Electric Annual Report -- 1973
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GENERAL ELECTRIC

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INVESTOR

1973 Annual Report

Electricity enters its Century Two
as the preferred way
to power 'Progress for People'

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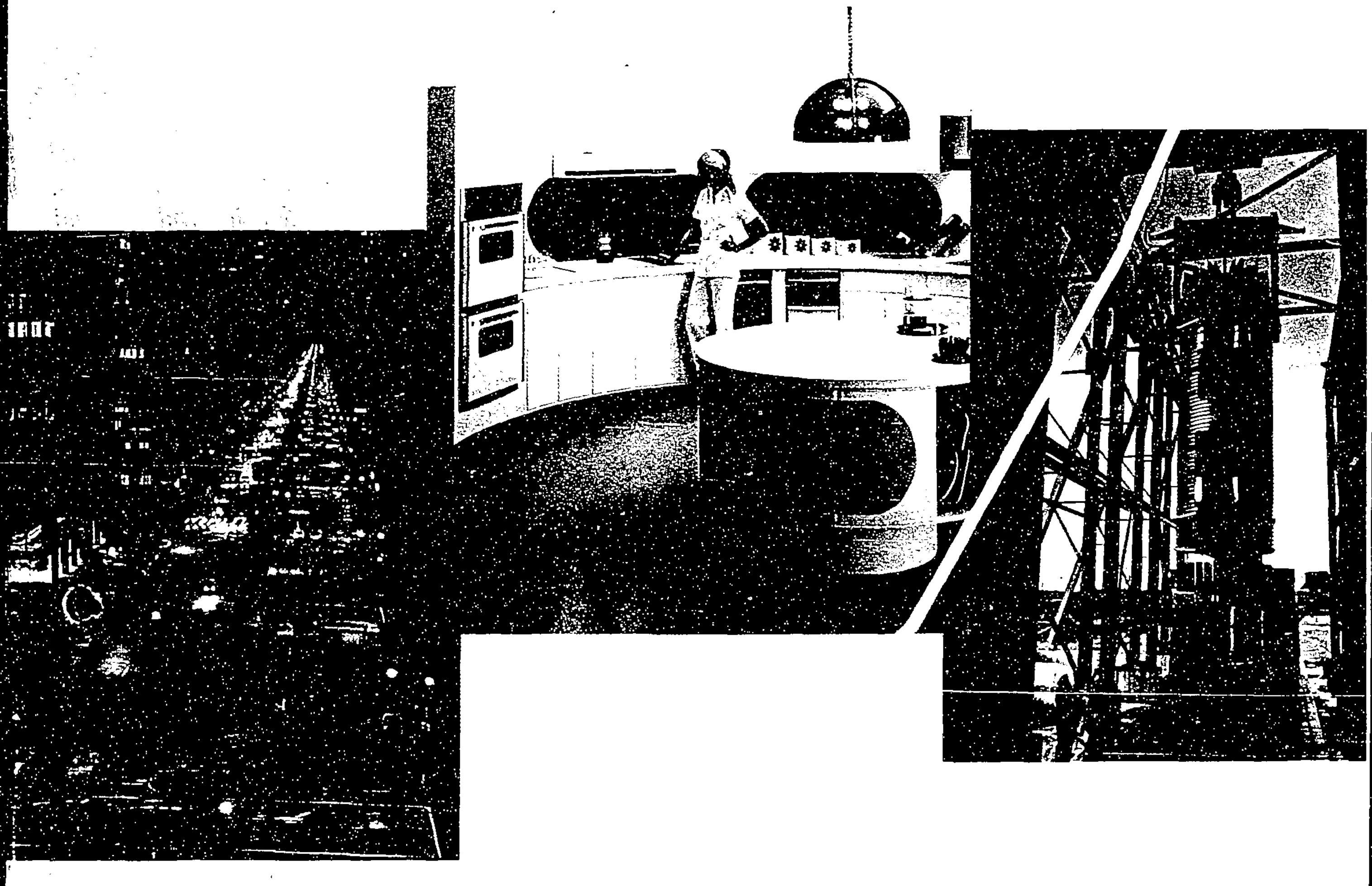


The Chairman comments:

"In 1973, General Electric moved to new highs in earnings, sales and orders. The new 'energy economics' resulting from shortages in fossil fuels enhances growth opportunities for the electrical industry by favoring a stronger shift to electrical technologies—particularly nuclear—to meet world energy needs."

General Electric people achieved a strong performance in 1973.

Earnings of $585 million, or $3.21 per share, amounted to a 10% gain. This fourth consecutive year of increased earnings was realized in the face of substantial inflation and other uncertainties.

The 1973 gain was achieved without help from "inventory profits," since the LIFO (last in, first out) method of accounting for U.S. inventories results in conse[illegible]tive valuation of these assets during inflationary periods. Our 1973 LIFO provision of $126 million was four times the $31-million provision in 1972.

Moreover, only three cents of 1973 per-share earnings came from sales of our holdings in Honeywell stock, compared with 11 cents in 1972—the result of our reduced sales of these shares in a year of generally depressed stock market conditions

These adverse factors were more than offset by improved operating income from the sales of our products and services.

Sales billed rose 13% above the 1972 volume to an $11.6 billion total. Gains by the Company's business sectors in 1973 were led by international operations, supported both by our greatest year ever in exports from the U.S. and improved results from many overseas affiliates.

Industrial operations substantially improved their performance on the strength of a resurgence in sales of producer goods, together with high levels of sales of man-made materials, industrial components, medical systems and computer information services.

We further increased the levels of shipments of industrial power equipment, both for power generation and delivery—an essential contribution to helping our utility customers meet the needs for more electric power.

Demands for GE consumer goods were very strong, requiring production at virtually full capacity throughout most of the year.

Despite higher interest costs, the General Electric Credit Corporation was able to achieve a 1973 earnings performance about equal to 1972's exceptional level.

And a strong performance by commercial aircraft engine operations gave a welcome lift to the aerospace sector.

Another record-breaking year in orders built our orders backlog to a new high exceeding $14 billion, up 25% from the 1972 year-end backlog. We expect to deliver about one-third of these orders in 1974, with the other two-thirds applying [illegible] our billing in 1975 and subsequent years.

Dividends declared for share owners were increased to $1.50 a share for 1973 as the result of the Board of Directors' decision in September to raise the quarterly dividend rate. The new current rate of $1.60 per share annually amounts to a 14% increase over the previous $1.40 rate.

Completion of 37-month labor union contracts in mid-1973 provides both for employee progress and for sustained production through June 1976.

The shape of the U.S. and world economies in 1974 will obviously be influenced by the duration and intensity of the Mid-East oil embargo. Prospects for at least the year's first half have already been dimmed—both by the physical disruptions imposed by fuel shortages and by their psychological impact on consumers.

In our view, however, the basic economy of the U.S. remains strong. An easing of the embargo by mid-year could alleviate the adverse effects to some degree and stimulate a period of recovery in the last half of 1974.

The energy challenge has several special facets of meaning for General Electric.

One critical aspect is the need to conserve the fuel available to us in order to minimize the impact on our services to customers and on our employment levels. With GE people joining wholeheartedly and resourcefully in a Company-wide energy uti[illegible]tion and conservation program, our present expectation is that we can avoid any substantial disruption to our operations because of energy shortages.

The need to conserve energy applies to electricity, even though only about 17% of U.S. electric power is generated using oil as a fuel. Consequently, we are striving to be sources of practical ideas for saving electricity. We are also emphasizing greater efficiencies in our products and technologies in order to conserve energy.

Long-term, the new "energy economics" resulting from shortages in fossil fuels enhances growth opportunities for the electrical industry by favoring a stronger shift to electrical technologies to meet world energy needs. Electricity has the great virtue of delivering clean power from the full range of fuel sources. Most importantly, electric power generation can be based on nuclear fuels which provide the best solution from the standpoint of environmental impact, economics and independence from foreign sources of supply. While we continue to pursue energy research on many fronts, the light water reactor, such as the BWR developed by General Electric, offers a sound, tested alternative to fossil fuels for the decades ahead.

Another source of confidence for us is the continued development of a strategic planning system that provides a strong discipline for differentiating the allocation of resources—that is, investing most heavily in areas of business that we identify as offering the greatest leverage for earnings growth, while minimizing our investments in sectors we see as growing more slowly or remaining static.

In view of these favorable factors and opportunities for greater service to society, management throughout the Company has accepted the challenge to achieve, over time, the sustained improvement in earnings that will distinguish General Electric as an outstanding growth enterprise.

This Annual Report takes new steps in share owner communications. One is its increased financial content, aiming at supplying investors with more meaningful financial information, short of disclosures that would benefit our competitors. The other st[illegible]is to include reports by the chairmen of the committees established by the Board to appraise and enhance the performance of management in five key result areas. The change gives appropriate recognition to the Board's active and dedicated performance in the share owners' interest. Since each of the committees is chaired by a Director who is not a Company employee, the change also emphasizes the independent perspective these committees provide in assuring that the great resources of General Electric are applied wisely and responsibly to the larger interests of society as a whole.

Reginald H. Jones

Chairman of the Board and Chief Executive Officer
February 15, 1974

Board of Directors

New committee structure of General Electric's Board comes into full operation

Five new committees formed in a mid-1972 realignment by the Board of Directors completed their first full year's operation in 1973. The consensus of Board members is that the committees are proving successful in their objective of insuring optimum utilization of Directors' time and abilities in reviewing matters of greatest importance to General Electric.

Formerly, the Board as a whole in its monthly meetings covered all areas of concern across the entire enterprise, supported by the work of three committees. Recognizing the broadened range of issues and the new challenges with which Directors must concern themselves, the new structure assigns specific functions to five committees. The more critical areas of the Board's responsibilities receive concentrated attention in committee sessions preparatory to full Board deliberations. In addition, the Board has streamlined its operations so that more of its time is spent on key risks and opportunities as well as on resource allocation and planning.

As indicated by summaries for each of the five committees included in this Annual Report, full functioning of the committees in 1973 was felt to be a significant factor in reinforcing the role of the Directors as monitors of the Company's performance and in enabling the Board to keep pace with the increasing complexity of the business environment.

Members of the Board are listed at right in the order of their seniority on the Board, with the year they were first elected to the Board shown in parentheses. Only four of the Directors are members of General Electric management. The other 15 (pictured far right) are from outside the Company, having earned positions of leadership in business, finance, education and public service.

Gilbert W. Humphrey, Chairman of the Board and Director, The Hanna Mining Company, Cleveland, Ohio. (1955)

Frederick L. Hovde, President Emeritus, Purdue University, Lafayette, Ind. (1956)

John E. Lawrence, Proprietor, James Lawrence & Co., cotton merchants, Boston, Mass. (1957)

Walter B. Wriston, Chairman and Director, First National City Corporation, New York City. (1962)

Dean A. McGee, Chairman of the Board and Director, Kerr-McGee Corporation, natural resources, Oklahoma City, Okla. (1962)

Ralph Lazarus, Chairman of the Board and Director, Federated Department Stores, Inc., Cincinnati, Ohio. (1962)

Gilbert H. Scribner, Jr., President and Director, Scribner & Co., real estate and insurance, Chicago, Ill. (1962)

Edmund W. Littlefield, Chairman of the Board and Director, Utah International Inc., mining and ocean shipping, San Francisco, Cal. (1964)

J. Paul Austin, Chairman of the Board and Director, The Coca-Cola Company, Atlanta, Ga. (1964)

Thomas S. Gates, Director, J. P. Morgan & Co., Inc. and Morgan Guaranty Trust Company of New York, New York City. (1964)

Jack S. Parker, Vice Chairman of the Board and Executive Officer, General Electric Company, New York City. (1968)

Herman L. Weiss, Vice Chairman of the Board and Executive Officer, General Electric Company, New York City. (1968)

Walter D. Dance, Vice Chairman of the Board and Executive Officer, General Electric Company, New York City. (1971)

Reginald H. Jones, Chairman of the Board and Chief Executive Officer, General Electric Company, New York City. (1971)

James G. Boswell II, President, J. G. Boswell Company, farming and related businesses, Los Angeles, Cal. (1971)

Charles D. Dickey, Jr., Chairman, President and Director, Scott Paper Company, Philadelphia, Pa. (1972)

Henry L. Hillman, President and Director, The Hillman Company, diversified operations and investments, Pittsburgh, Pa. (1972)

Silas S. Cathcart, Chairman of the Board and Director, Illinois Tool Works Inc., diversified products, Chicago, Ill. (1972)

Henry H. Henley, Jr., President and Director, Cluett, Peabody & Company, Inc., manufacturing and retailing of apparel, New York City. (1972)

The Board regretfully notes the deaths of two former long-service Directors:

Ralph J. Cordiner, Chief Executive Officer of General Electric from 1950 to 1963, died on December 4, 1973 at the age of 73. He will be remembered both in the annals of General Electric and in the literature on management philosophy for his pioneering of the Company's decentralized management system. He set the Company on a course of progress and growth that added "a new General Electric" during his tenure as chief executive officer and that continues to provide an inspirin example of vision and leadership for those who follow in his steps.

George G. Montgomery, a director of General Electric from 1948 to 1966, died on January 2, 1974 at the age of 79. Mr. Montgomery was also former Board Chairman of the Kern County Land Company, San Francisco, Cal.

Committees of the Board of Directors

Operations

- J. P Austin, *Chairman*
- W. D. Dance, *Vice Chairman*
- J G Boswell II
- C. D Dickey, Jr.
- H. [illegible]llman
- R H Jones
- J. E. Lawrence
- R. Lazarus
- J. S. Parker
- H. L. Weiss

Technology and Science

- F. L. Hovde, *Chairman*
- H. L. Weiss, *Vice Chairman*
- S. S. Cathcart
- C. D Dickey, Jr.
- E. W. Littlefield
- D. A. McGee
- J. S. Parker
- G. H. Scribner, Jr.
- W. D. Dance*
- R. H. Jones*

Public Issues

- G W. Humphrey, *Chairman*
- J. S. Parker, *Vice Chairman*
- J G. Boswell II
- T S Gates
- H. H. Henley, Jr.
- H. L. Hillman
- F. L. Hovde
- H. L. Weiss
- W. D. Dance*
- R. H. Jones*

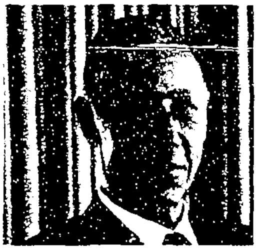
Management Development and Compensation

- R. Lazarus, *Chairman*
- J. P. Austin
- G. W. Humphrey
- E. W. Littlefield
- W. B. Wriston

Audit and Finance

- J. E. Lawrence, *Chairman*
- R. H. Jones, *Vice Chairman*
- S. S. Cathcart
- T. S. Gates
- H. H. Henley, Jr.
- D. A. McGee
- G. H. Scribner, Jr.
- H. L. Weiss
- W. B Wriston
- W. D Dance*
- J. S. Parker*

J. Paul Austin


Gilbert W. Humphrey

John E. Lawrence

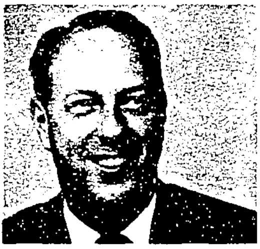
Frederick L. Hovde

Ralph Lazarus

James G Boswell II

Henry H. Henley, Jr.

Thomas S Gates


Silas S. Cathcart

Edmund W. Littlefield

Charles D. Dickey, Jr.

Henry L. Hillman

Gilbert H. Scribner, Jr.

Dean A. McGee

Walter B Wriston

Ex Officio Members

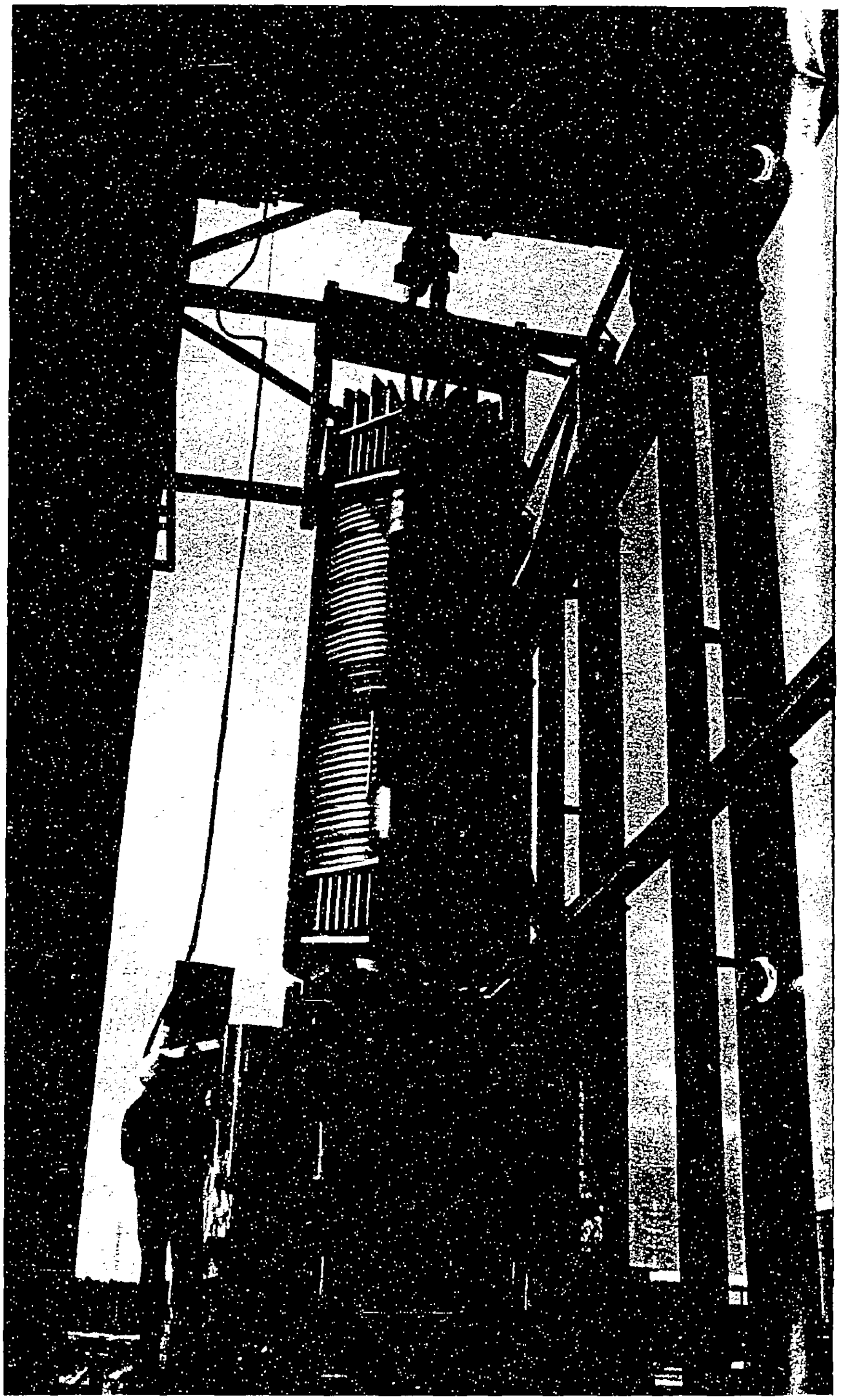
Operations Committee

It is not the purpose of this Committee of the Board to assume any of management's responsibilities for the day-to-day functioning of the Company. Rather, we see our role as that of representing the share owners' interests by reviewing management's long- and short-term operating plans and the strategic planning process, and by concentrating on critically important business undertakings which might benefit from our members' experience and perspective.

The Committee's meetings during 1973 held to these overall objectives. Considerable depth of study was given to the potential impact that both short-term and long-range economic trends could have on Company operations. The application of strategic planning procedures to specific operations was reviewed with the Senior Vice President—Corporate Strategic Planning. Attention was given to selected businesses representing particular challenges and opportunities.

We consider the work of the Committee to be evolutionary. On the basis of our experience in 1973, we see the Committee serving as an increasingly effective link between operating management and the Board.

J. Paul Austin, *Chairman*



Review of Operations

"To General Electric's industrial power and consumer sectors, the challenge of the energy fuels crisis is to lead in shifting mo[illegible]f the world's economies to coal- and nuclear-based electric power."

Walter D. Dance, Vice Chairman and Executive Officer, whose responsibilities include the Company's power generation, power delivery, major appliance and consumer products operations.

General Electric operations producing electric power apparatus worked full-tilt in 1973 to position electric utilities to meet more of the world's energy needs. And GE's consumer goods operations offered consumers new energy-saving options in appliances and high-efficiency heat pumps. These responses to the energy challenge highlight a year of record performance by General Electric on both sides of the electric meter.

Industrial Power Equipment

(In millions)

	1973	1972	1971	1970	1969
Sales	$2,477	$2,249	$2,131	$1,880	$1,474
Net earnings	118	120	114	87	–11

Representative products and services: gas turbines, installation and service engineering, insulators, marine turbines and gears, mechanical drive turbines, meters, nuclear power reactors and fuel, power circuit breakers, steam turbine-generators, switchgear, transformers and other power apparatus for industry.

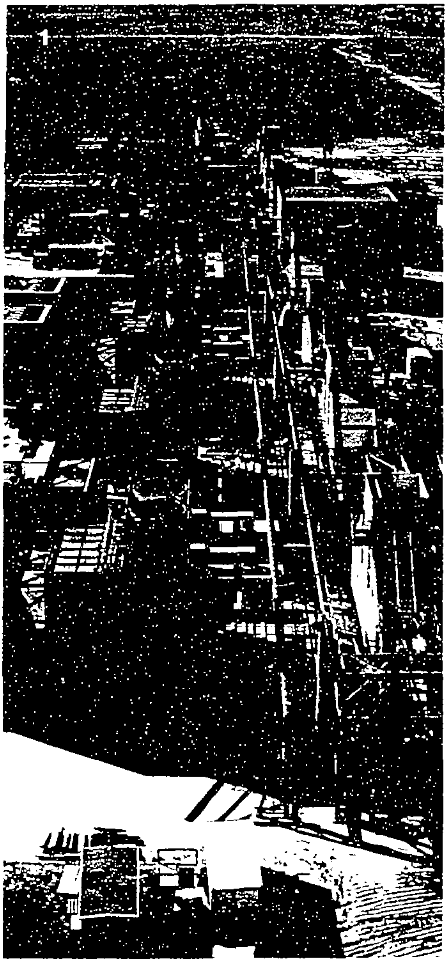
Record shipments and sales enabled General Electric power generation and delivery operations to produce 19% of the Company's total sales and 17% of total earnings in 1973. The 1973 provision required under the LIFO method of accounting to reflect current costs in operations was particularly significant in this category. A record volume of new orders built the orders backlog for industrial power equipment to an unprecedented $10.2 billion at year end.

In terms of power generation, General Electric in 1973:

- Increased shipments of steam turbine-generators to a new high of 22 million kilowatts. New commitments from customers raised the orders backlog for this power generation equipment to 130 million kilowatts. The year was capped in December by receipt of the largest turbine-generator order ever placed—a quarter-billion-dollar award for six units for nuclear power plants.
- Increased international orders of gas turbines, thus helping to counterbalance some of the slowing in domestic orders attributable to petroleum shortages. The Company is pressing its development of multiple fuel-burning capability for gas turbines, including use of waste gases, gasified coal and residual oil. Another significant 1973 development was strong customer acceptance of the Company's regenerative-cycle gas turbine generators. The units offer increased efficiencies by recovering and utilizing gas turbine exhaust energy, thus minimizing fuel consumption and lowering overall fuel costs.
- Received orders for 13 BWR/6 nuclear reactor systems, increasing to 33 the number of these systems ordered since they were introduced in 1972 and raising to 96 the total of GE-equipped nuclear plants completed or on order.
- Expanded international nuclear fuel facilities. Fuel fabrication began at a new jointly-owned plant in Italy and is being expanded at other jointly-owned plants in Japan and West Germany. In the United States, fuel fabrication capacity is being doubled at our Wilmington, N.C., plant, and our Midwest Fuel Recovery Plant near Morris, Ill., was readied for reprocessing spent fuel recovered from operating nuclear plants.

Nuclear power, in our view, is the segment of the electric power industry capable of making the greatest contribution to meeting the inevitable worldwide growth in energy needs. We strongly support the AEC's policies for shortening the licensing

Emphasis on nuclear safety is typified by this GE IF-300 shipping cask used to transport fuel bundles from nuclear power plants to the Company's Midwest Fuel Recovery Plant at Morris, Ill. Culminating five years of design, manufacturing and testing, the 18-foot containers can weigh up to 70 tons when loaded and withstand the most severe postulated accidents.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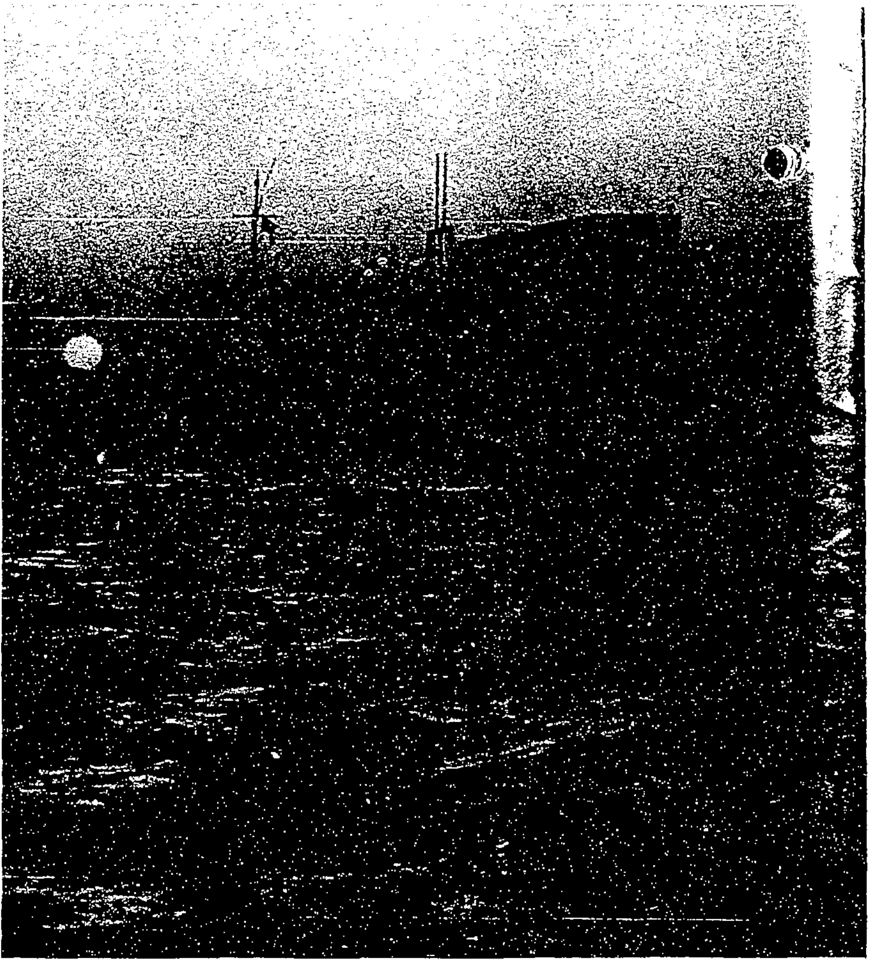

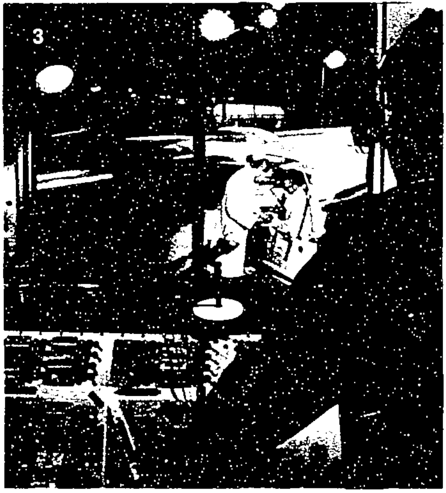
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(Industrial Power Equipment continued)

procedures for nuclear plants and for achieving standardization of nuclear plant designs. A General Electric proposal for a standardized plant design was accepted by the AEC for review.

Another GE technology at work to ease the fuel shortage is that of steam turbine propulsion for ships. GE's U.S. operations, working with manufacturing associates abroad, met increased commitments for these units to power new supertankers and established a significant foothold in the new market for propulsion systems for liquefied natural gas carriers.

General Electric operations supplying power delivery markets accelerated the modest upturn in sales that began in 1972. Power distribution equipment set the pace, with sales of transmission apparatus, industrial switchgear and lighting systems also showing gains.

These operations are emphasizing research on the energy and environmental fronts. Research in higher voltage transmission via alternating-current lines, as one example, enables utilities to deliver power more efficiently over their transmission rights-of-way. We are currently engaged in a cooperative study with utilities to determine the feasibility of 1.3-million-volt transmission and are planning tests up to 1.5 million volts for the Electric Power Research Institute.

GE has established a leading position in solid-state direct-current transmission—a technology that permits carrying two to three times the power of AC lines on the same right-of-way. In 1973 we received a key order for conversion equipment to be used at both ends of a high-voltage direct-current line from a mine-mouth generating plant in North Dakota to Duluth, Minn., 460 miles away.

The Company's developments are improving the appearance of power delivery equipment. A new line of substations introduced in 1973 for installation in land-scarce urban areas requires only one-tenth the area of conventional substations. All current-carrying components are completely enclosed.

Again, we are meeting utilities' concerns for "clean horizons" through underground distribution systems. Nearly two-thirds of new homes built in 1973 were served by underground systems, compared with 2% a decade ago.

Progress was made during 1973 in resolving disputes with utility customers. The suit filed in 1971 by Jersey Central Power and Light Company, arising out of the delayed completion of the Oyster Creek turnkey nuclear station, was settled. A settlement was also reached with Commonwealth Edison Company disposing of disputes under the 1965-66 turnkey contracts for the construction of four nuclear turnkey plants.

The antitrust suit filed in 1971 by American Electric Power Company, challenging General Electric's turbine-generator pricing policies, continues in its pretrial phase and a final decision is unlikely until the late 1970's. Based on the existing state of the law, we are confident of our ability to prevail, but the outcome is, of course, subject to the inevitable uncertainties of litigation. General Electric has granted an extension of the statute of limitations to other utilities with respect to their purchases of turbine-generators.

GE has received, through 1973, nuclear fuel orders totaling $1.9 billion, essentially for delivery through the mid-1980's. The Company's customers have required that fuel be sold with warranties related to fuel life span. Experience with fuel life is still not sufficient to assure how the fuel will perform in comparison with warranties.

1. Two General Electric STAG-400 generating plants being installed at Houston Lighting & Power's T. H. Wharton Station combine the low cost advantage of heavy-duty gas turbines with the high thermal efficiency of steam turbines, resulting in long-term overall economic and environmental benefits. GE STAG plants also offer operational flexibility and reduced installation time.

2. A Brazil-bound GE multiple gas turbine power system moves by water from Bath, Maine, to its ultimate destination at S[illegible]dor, Bahia. The 131-megawatt barge-mounted unit will provide vitally needed generating capacity to booming Brazil.

3 The "Crossroads of Light" at the Company's Hendersonville, N. C., plant visually demonstrates the technological advances of outdoor lighting systems such as Lucalox® both to conserve energy and to provide needed light for safety and security.

4. General Electric's new StyleMaster™ substation helps electric utilities like Massachusetts Electric Company meet the growing need for electric power equipment that is esthetically compatible with the environment.

Consumer

(In millions)

	1973	1972	1971	1970	1969
Sales	$3,097	$2,782	$2,383	$1,969	$2,155
Net earnings	149	144	106	77	122

Representative products and services: air conditioners, appliance service, broadcasting, clotheswashers and dryers, dishwashers, heat pumps, lamps, personal and portable appliances, radio and television receivers, ranges, refrigerators, stereo equipment and tape recorders.

Consumer goods and services, accounting for 23% of GE's 1973 sales and 22% of earnings, were characterized by a year of strong sales growth.

For most of 1973 the main challenge to our major appliance operations was to produce enough appliances to meet demand. Buoyed by major additions to capacity in recent years, these operations realized sales gains that exceeded those for the industry. Air conditioners, dishwashers, refrigerators and freezers were strong performers.

While adjusting for a somewhat slower pace in the early months of 1974, our appliance operations are continuing to add new capacity in anticipation of long-term growth. Among several new facilities under construction are a major building for laundry equipment at Appliance Park-East, and a refrigerator plant in Decatur, Ala. Plans for higher sales levels are based in part on higher rates of family formation expected in the late '70's.

Six new Company-owned major appliance service centers were opened in 1973, bringing the total at year's end to 112. Our Consumers Institute has been reorganized and now has regional directors in Atlanta, Chicago, New York and San Francisco. Also, 102 consumer coordinators in field distribution offices are helping consumers find answers to their questions about major appliances.

Other consumer operations continued their sales growth in 1973, although profitability was affected by cost increases that outpaced the price improvements granted under government controls. GE housewares recorded modest gains, led by electric clocks, self-cleaning spray and dry irons, the Toast-R-Oven™ toaster and such personal care products as shaving cream dispensers and hair detanglers.

Sales of home entertainment products also increased, with audio products, tape recorders and television receivers all sharing in the gains.

Our lamp business continued to expand throughout most of the year, with good growth rates realized in miniature, high-intensity-discharge Lucalox and solid-state lamps. Growth rates in markets for lamp products may be expected to moderate in 1974 as the result of light-conservation measures stemming from the energy shortage.

General Electric continued to conduct four consumer-oriented service businesses: broadcasting stations, cablevision systems, entertainment productions and, as reported below, financial services.

General Electric Credit Corporation

(In millions)

	1973	1972	1971	1970	1969
Net earnings	$42	$41	$31	$20	$15

Despite the increased interest costs which prevailed, 1973 net earnings of this wholly-owned non-consolidated affiliate were about the same as 1972's exceptional level. The Corporation continued its expansion into the insurance field with the purchase of the Puritan Life Insurance Company in 1973.

General Electric people are working on many fronts to offer customers appliances that save work and energy while offering the latest in conveniences:

1. Energy-saving options being offered to consumers include power-saver switches on refrigerators and dishwashers. Another, shown here in a new modular kitchen unit produced by the Major Appliance Group for the builder market: the King Size Toast-R-Oven, one of the Housewares Division's outstanding performers, which can be used as an automatic toaster, top browner or oven.

2. The energy crisis has focused new attention on some products in which General Electric is exceptionally strong, particularly the highly reliable Weathertron® heat pump. As fossil fuel becomes scarcer and more expensive, the efficiency of the heat pump—which supplies twice as much heat output as the electric energy needed to operate it—becomes more significant. The Company will increase its production of these remarkable heating/cooling systems in 1974.

3. New TV Band and Electronic Digital Clock Radios developed in the Audio Electronics Department were styled in the Industrial Design Laboratory.

4. GE television receivers, with features such as 100% solid-state modular chassis and Spectra-Brite® IV picture tube, are enjoying increasing acceptance in the marketplace.

5. Zoom Plus™, new personal care product, is a hair dryer, detangler and styler.

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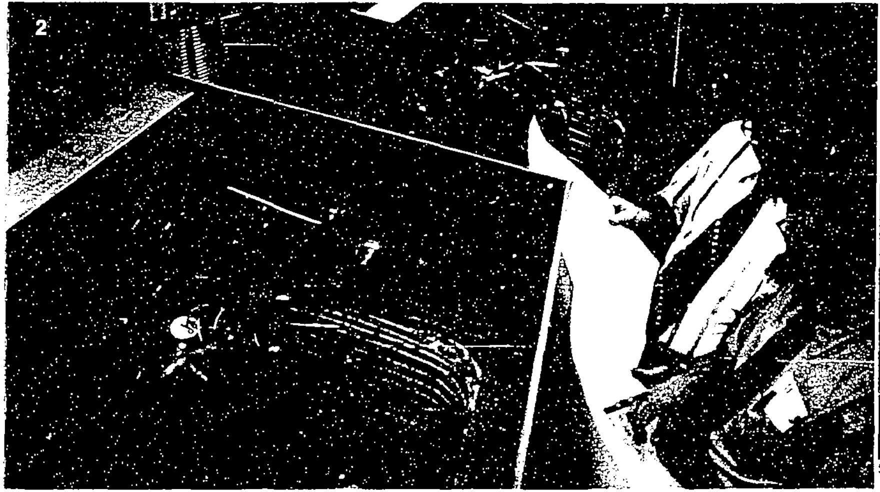

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Operations *(continued)*

"GE's industrial sector, positioned squarely in the thrust of important economic, technological and social trends, was a strong performer in 1973."

Herman L. Weiss, Vice Chairman and Executive Officer, whose responsibilities include the industrial, components and materials, and special systems and products operations.

General Electric operations serving industrial components and systems marke achieved new highs in performance in 1973, contributing 28% of the Company total sales and 27% of total earnings. An upsurge in industrial output and industry' expenditures to enlarge capacity and improve productivity were important factor in achieving this growth. So were the Company's operations serving major growt sectors in materials and components, public transportation, health care and [illegible]mmunications.

Industrial Components and Systems

(In millions

	1973	1972	1971	1970	196
Sales	$3,728	$3,158	$2,865	$2,848	$2,77
Net earnings	186	160	141	97	98

Representative products and services: adjustable and constant-speed drives, ballasts, batteries, capacitors, communication systems, computer time-sharing, controls, cutting tools, electric motors, electronic tubes, equipment service, industrial heating, insulating materials, medical systems, plastics, silicones, transportation systems, wire and cable and wiring devices.

General Electric operations supplying industrial producer goods benefited from a year of sustained recovery from the slump in these markets that began to ease in 1972. A strong increase in orders during 1973 built a substantial backlog by year end. Numerical controls and general purpose controls for machine tools made particularly good gains.

The pressures are strong on industry to continue its capital expansion despite the new year's economic uncertainties. Many companies, encountering capacity bottlenecks in 1973, will invest in new equipment in order not to limit their participation in the economy's next expansion. And with hourly wage increases outrunning productivity gains by wide margins, the need to increase output per manhour is critical to industry as well as to the nation's fight against inflation. The drive to improve productivity has escalated to a worldwide competition—one that finds U.S. industry generally equipped with over-age production systems.

GE has well-established businesses in automation systems, drive motors and controls. New markets being served include oil well drilling drives, controls for precipitators used in environmental protection and plastic molding machine controls.

Prospects continue to be good for GE operations serving non-residential cons[illegible]ction markets in 1974. International markets for industrial products also offer the potential for significant sales gains.

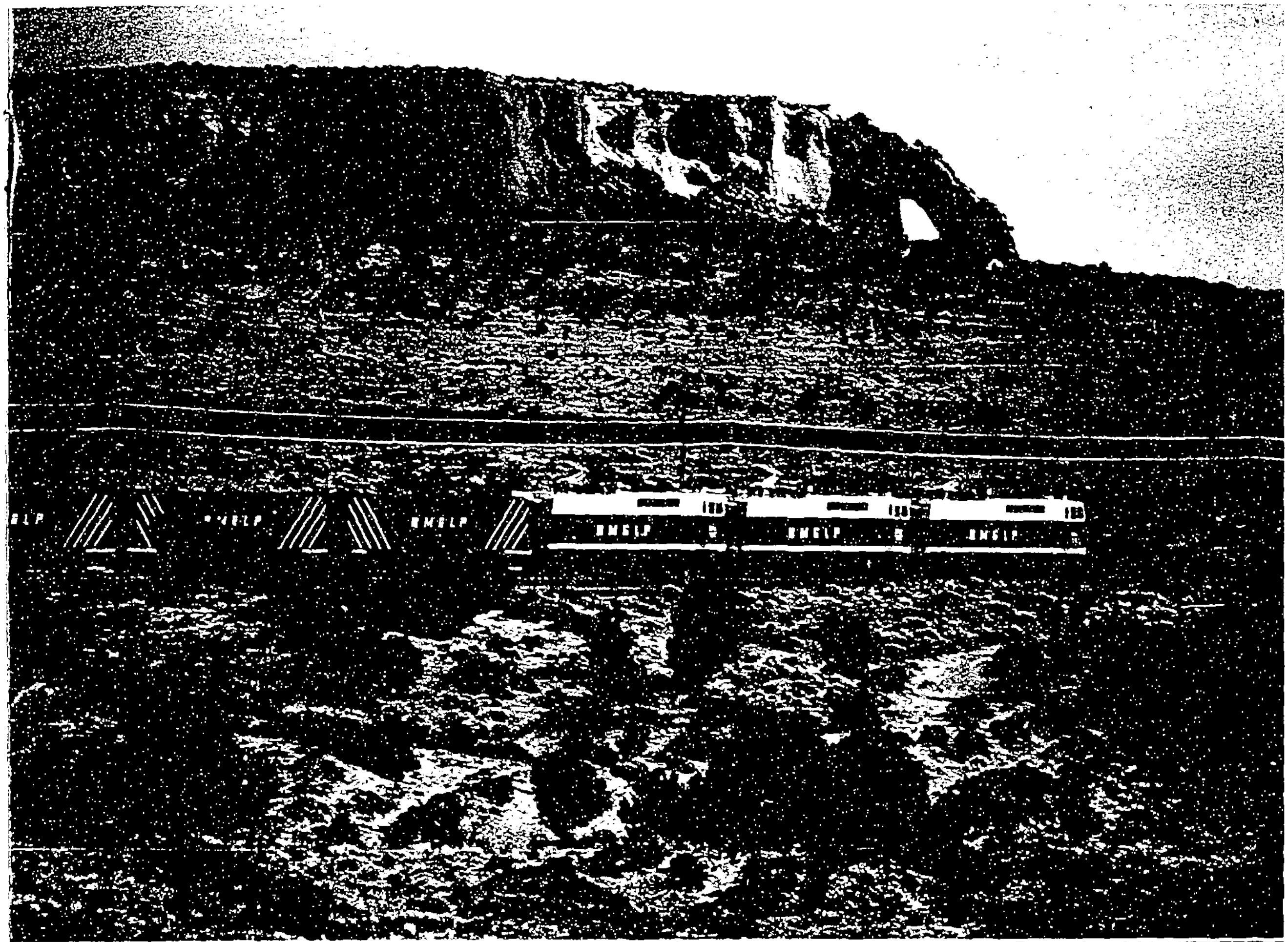
General Electric's Apparatus Service Division, whose diverse maintenance and repair skills are applied to industrial products ranging from turbines and locomotives to delicate instruments, continued its worldwide expansion by opening six new service shops in 1973.

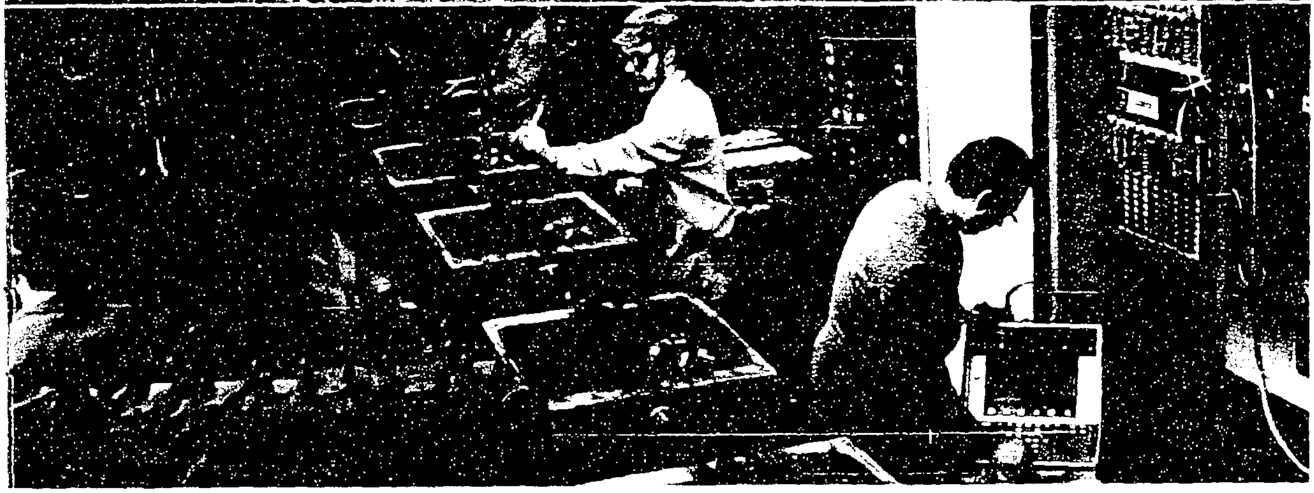
Purchase of an interest in the English firm of Allen West and Company, Ltd., manufacturer of industrial controls, strengthens General Electric's position in Europe.

Markets were strong for GE components supplied to light industrial, construction, appliance and electronic markets. The diversity of applications of these products offers a hedge against economic slowdowns. While appliance and construction components boomed with their industries in 1973, other segments are expected to set the pace in 1974: rechargeable batteries, semiconductors and electric motors for industrial and agricultural use.

Moving coal across the desert of northern Arizona is the world's first 50,000-volt electric locomotive, built by General Electric. The trains transport the coal fueling the Navajo Generating Station.

GE products such as the Logitrol^{T} programmable controller are helping industry boost productivity through the reliability of solid-state control, as in this large automotive foundry.





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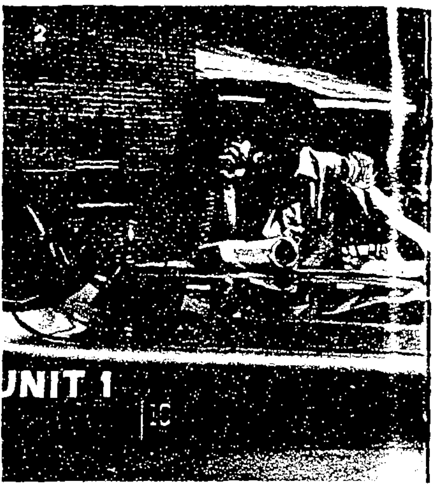

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(Industrial Components and Systems continued)

Engineering plastics continue to exhibit remarkable growth in the worldwide materials business, with GE's plastics outpacing the industry as a whole. This growth results from greater penetration of markets formerly held by metal castings and glass glazing materials. While shortages in raw materials are causing us some short-term disruptions in production, we are overcoming these supply problems and do not expect them to impact on the long-term growth prospects for this business. General Electric's business in silicones experienced the most successful year in its 25-year history.

Greater productivity is the theme of our metallurgical businesses. Carboloy Systems, for example, recently opened a unique customer application center in Detroit, which provides a broad array of machine tools for use in solving customers' critical production problems. Man-made® industrial diamonds and the new Borazon® CBN abrasives are reducing tooling costs by providing a more efficient means of cutting and grinding a variety of materials.

Renewed emphasis on mass transit and rail freight shipments is resulting from the growing importance of rail transportation efficiencies in the light of current fuel shortages. For example, studies show that intercity shipments by rail require approximately 75% less energy than shipments by truck. High levels of orders, both domestic and international, sustained new levels of production of GE diesel-electric locomotives in 1973. Studies with several railroads are underway on electrification of mainline service. Facilities for transit car production are being utilized to fill commitments for mass transit equipment such as additional GE commuter cars for the New York and Philadelphia metropolitan areas.

Serving the increasing social commitment to better health care, we are allocating substantial resources to our medical systems business—the leading domestic manufacturer of professional medical equipment and an increasingly strong competitor in international markets. Our investments include a new $23-million plant nearly completed at year end near Milwaukee and a vigorous program of innovation. Trend-setting new products include the long-life Sentry 75 pacemaker, which offers an implanted life of four to six years—virtually double that of conventional units.

Communication products and computer information services form two interrelated areas with outstanding growth potentials. TermiNet® terminals for remote use of computers are a high-growth line for our communications systems business. Demand also remains strong for mobile radios. Progress was made in expanding GE's penetration of the telecommunications market through systems enabling telephone companies to enlarge voice and data capacity for their users.

Substantial resources are also being allocated to our information services operations. GE's computer information services network—already the world's largest—expanded in 1973 to include Japan, Australia and Denmark. Now tied to more than 350 cities worldwide by telephone lines, undersea cables and communication satellites, GE's Mark III Network provides customers centralized data processing services through a complex of more than 100 inter-connected computers. In serving a broad spectrum of customers in business, industry and government, GE's information services operations moved to new highs in sales and earnings.

The General Electric Supply Company Division, which provides a nationwide product supply service to electrical contractors and industrial and utility customers, also made sales gains led by growth in industrial construction.

1. General Electric Patient Data System provides early detection of minor complications and averts crises by alerting the medical staff to the need for quick, immediate resuscitative action.
2. Two-way radios by General Electric are used to eliminate millions of miles of unnecessary driving each year and thus save gasoline for users such as construction companies.
[illegible]ew GE engineering structural foam resins are increasingly being used to replace sheet metals in such uses as this utility box cover. Foams of cellular cores and integral solid skins meet the same strength and rigidity standards as cast iron, but with one-fourth the weight.
4. A closed-cycle cooling water system at a Mississippi power company uses GE Thermo-Spray® motors to help assure compliance with new state and federal air and water quality standards.
5. More productive tooling systems are designed, developed and applied at this new Carboloy® Systems Customer Application Center in Detroit.

Operations *(continued)*

> **"This was the most successful year for GE's international businesses in our history. Favorable acceptance of GE-powered commercial jets improved results from GE aerospace operations."**

Jack S. Parker, Vice Chairman and Executive Officer, whose responsibilities include the Company's aircraft engine, aerospace and international operations.

1. Economical, quiet and smoke-free, the new A300 European Airbus, powered by two GE CF6-50 engines, glides over Rio de Janeiro on its maiden flight to the Western Hemisphere.

2. Technologies developed by GE space engineers are being applied to produce high quality housing at lower costs. Shown: a modular housing factory of a Japanese licensee.

3. In a sophisticated state-wide pollution monitoring system, designed and operated by GE, remote stations throughout Pennsylvania sample air for pollutants then feed the data to a central computer for evaluation.

Aerospace

(In millions)

	1973	1972	1971	1970	1969
Sales	$1,611	$1,514	$1,623	$1,666	$1,688
Net earnings	39	27	37	26	15

Representative products and services: aerospace instruments, aircraft jet engines, armament systems, flight controls, missile re-entry systems, product service, radar, sonar and space flight systems.

The aerospace sector, including an increasing range of commercial and civilian products as well as defense and space equipment, accounted for 12% of total sales in 1973 and 6% of total earnings.

Sales, orders and earnings of our aircraft engine business exceeded expectations.

The effects of the fuel shortages on our aircraft engine business will be mixed. First to feel the effects will be our business in engines for executive jet aircraft. Reduced flight schedules for both commercial and military aircraft will adversely affect our spare parts and service operations.

On the other hand, the McDonnell Douglas DC-10, powered by three GE CF6 engines, is highly efficient from the standpoint of fuel consumption and may become increasingly attractive to airlines. The plane has already won good acceptance. At year end, CF6-powered DC-10s had been ordered by 29 airlines, and more than 100 aircraft were in service.

Efficiency considerations may also lead to increased orders for the new A300 wide-bodied European twin-jet, powered by our CF6-50 engines.

Another favorable development of 1973 was the successful test-flight application of our CF6-50 engine in a new model of the Boeing 747.

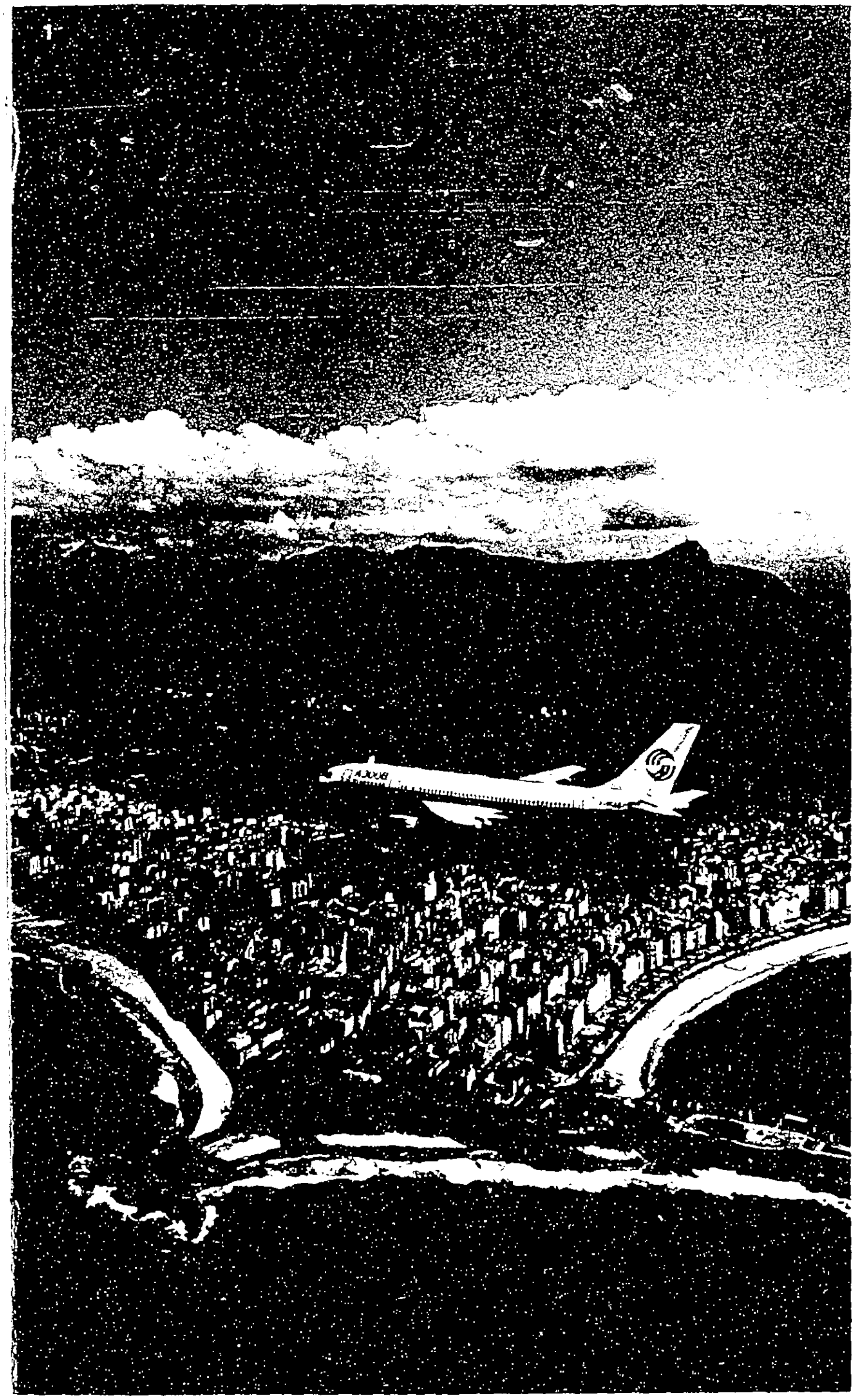
Clearance was received from the U.S. Government during the year to develop with SNECMA, the major engine manufacturer in France, an engine in the 20,000 to 28,000-pound-thrust class, which is expected to be a strong contender to power new aircraft that will enter commercial service in the late 1970's.

Sales of military jet engines were up substantially in 1973 and orders for delivery in 1974 are higher still. General Electric is supplying engines for 10 major aircraft applications and is participating in a number of development programs.

The first of 30 U.S. Navy Spruance-class destroyers powered by our LM2500 industrial and marine gas turbines was launched on schedule in November. Each of the destroyers is powered by four of these aircraft derivative engines. The LM2500's fuel economies and other qualities favorably influenced its selection for main propulsion of Navy patrol frigates and hydrofoils.

General Electric's space operations divide into two main sectors—support of defense and space agencies, and application of space technology to problem solving in commercial and civilian markets.

We continue to be substantial suppliers to major space and strategic defense programs. For the Skylab missions in 1973 we were responsible for overall reliability and quality. And we supplied the control system for the successful Mariner Interplanetary Spacecraft. We are prime contractors for the Nimbus Weather Satellite Program and for ERTS—the Earth Resources Technology Satellite—which continued in 1973 to send back masses of data to help identify and better utilize the resources of earth. Other large programs include aircraft avionics systems, radar and sonar, missile guidance, fire-control and missile re-entry systems.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(Aerospace continued)

Efforts to apply space technology to social needs involved the Company in some 1,000 studies and technical development projects and in such business ventures as new approaches to modular factory-produced housing and important new potentials in ground-station terminals for satellite communications systems.

International

(In millions)

	1973	1972	1971	1970	1969
Sales	$2,318	$1,830	$1,584	$1,393	$1,201
Net earnings	151	99	86	66	48

This category includes exports from the U.S. to customers worldwide and the operations of diversified affiliates in such countries as Canada, Italy, Brazil, Spain, Mexico and Australia. Operations of nondiversified foreign affiliates are included in their appropriate category.

This was the most successful year for General Electric's international businesses in our history. GE's international affiliates and exports increased their contribution to 18% of Company sales and 22% of earnings.

In 1973, demand was influenced by dollar devaluation and a booming world economy. General Electric's export orders from the U.S. set a new record well in excess of $1 billion. Most notable were orders for nuclear power generation (France, Mexico, Spain and Taiwan), power delivery equipment such as high-voltage transmission components for Zaire, transportation equipment such as locomotives and ship propulsion units, and gas turbines for pipeline and power generation applications.

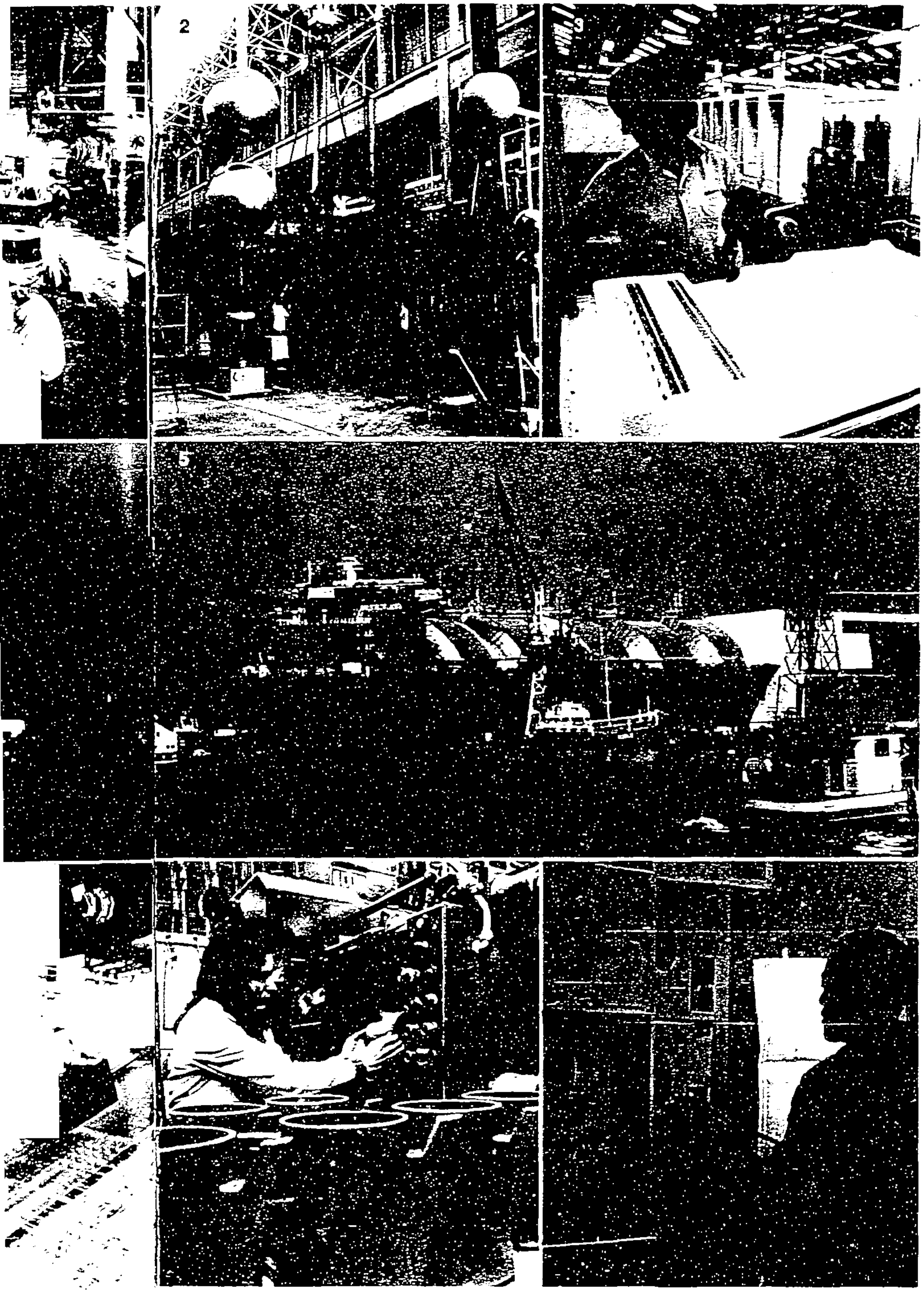
Canadian General Electric Company Limited, largest and most diversified of GE's international affiliates, achieved earnings improvements that outpaced its gains in sales volume. Demand for the affiliate's consumer goods was particularly strong. Orders for heavy capital goods included winning the international competition to supply hydro-generators for the U.S. Grand Coulee Dam. The contract calls for installation, beginning in 1976, of three 700 megawatt hydro-generators—higher in capacity and larger in size than any now installed anywhere in the world.

In Latin America, the year's sales gains were again led by General Electric do Brasil, S.A. Sales by this affiliate, serving Brazil's fast-growing economy with a product range from lamps to locomotives, were up more than 45%. A major expansion of our capital goods facility in Campinas was well along at year end. Consumer goods capability in Venezuela was substantially increased. With the economy of Mexico also showing vitality, sales by General Electric de Mexico, S.A., increased about 25%, led by sales of consumer goods.

Affiliates in Italy and Spain made important gains in sales and profits. GE's position in the rapidly growing European Economic Community was strengthened by investments in a French joint venture to serve 50-cycle gas turbine markets, and by acquisition of TEOMR, a major manufacturer of industrial components in Italy.

In the Far East, our Australian major appliance and housewares affiliates had their best year. Sales for all Far East affiliates exceeded 1972 performance. South African General Electric continued to strengthen its sales and earnings while making further advances in its ongoing employee programs, with particular emphasis on those for non-white employees.

The long-term future of General Electric requires a vigorous effort to grow our international business and to participate in economies, worldwide, some of whose growth rates are expected to exceed those of the U.S.



GE's international operations cover a wide span both geographically and in product range. Shown: 1, hydro-turbines from Canadian GE; 2, transformers under test at GE-Brazil; 3, refrigerators by GE-Venezuela; 4, Spanish power plant with GE generating equipment from the U.S. and GE-Española; 5, GE exports—represented by liquefied natural gas carrier powered by a GE propulsion system; 6, industrial components at Cogenel in Italy; 7, appliances by Australian affiliate; and 8, control panels at South African GE.

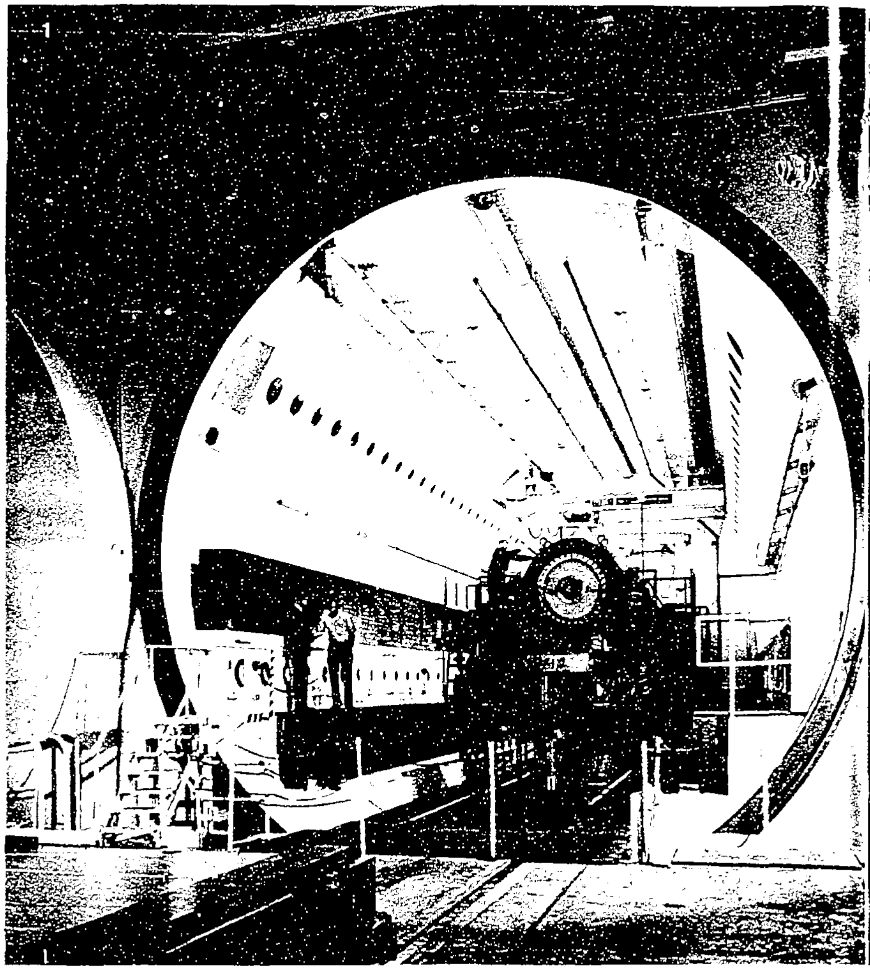
Technology and Science Committee

A primary function of the Technology and Science Committee of the Board is to appraise the Company's technological effort and product leadership positions. To fulfill this responsibility, the Committee reviews major trends in technology and their anticipated effect on the Company's operations. Also, the Committee seeks to assure itself, as the share owners' representatives, that Company resources are being allocated to those technological areas that offer the greatest potential growth to the Company as well as major benefits to society.

During 1973, much of our work was focused on the changing patterns in U.S. funding of research and development, with greater emphasis on social needs and relatively less on space and defense. Sources and trends of General Electric's multi-million-dollar annual research and development expenditures were examined. Reviewing with management many specific R&D projects across the Company, we gave attention during the year to the broad spectrum of energy-related programs.

The Committee's goal was to assure ourselves that management is mounting vital developmental programs in the areas of greatest potential for the Company and is responsibly applying one of the world's great reservoirs of technological talent to social needs. Selection of a GE scientist among the year's Nobel Prize winners was regarded by the Committee as gratifying recognition of the quality of the Company's technological and scientific efforts.

Frederick L. Hovde, *Chairman*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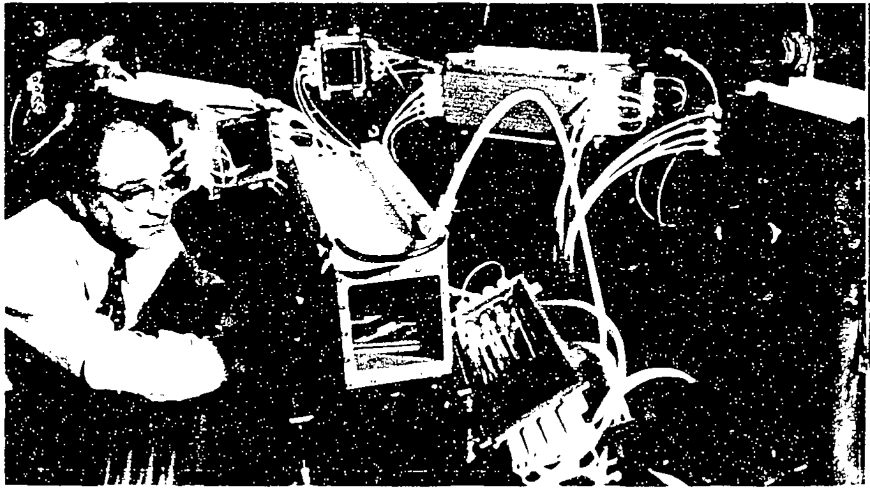
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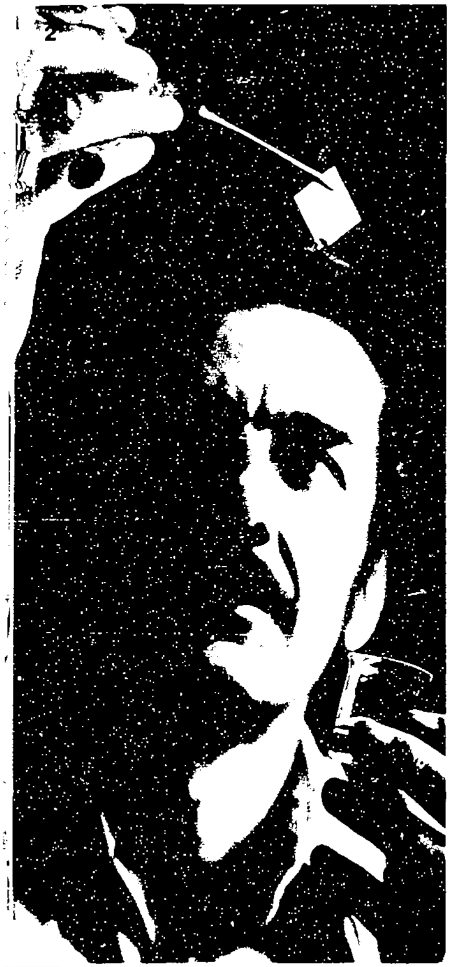


GE's research and development in 1973 comprised one of industry's most vigorous developmental programs, whether measured by expenditures, manpower or recognized results. Using National Science Foundation definitions, total expenditures on R&D by General Electric during the year exceeded $845 million. This total includes approximately $330 million funded by the Company and $515 million for research and development performed under contract, primarily for the U.S. Government.

In terms of manpower, almost 13,000 employees holding college technical degrees were at work in research, development and engineering. At the corporate level, the Research and Development Center in Schenectady, N. Y., serves the Company as a whole with substantial programs in all of the major scientific and engineering disciplines important to General Electric businesses worldwide. Its work is supplemented by, and closely linked with, the activities of more than 100 laboratories associated with product operations.

Special recognition for General Electric research came when Dr. Ivar Giaever, of the Research and Development Center, was named with two other scientists to share the 1973 Nobel Prize for Physics. The Prize recognized the pioneering work done by Dr. Giaever on the phenomenon of electron "tunneling" in superconductive metals. Dr. Giaever is the second GE scientist to be so honored: the late Dr. Irving Langmuir was the first industrial scientist to receive a Nobel Prize—in chemistry, in 1932.

Another measure of effectiveness of GE research and development was the 1973 competition conducted by Industrial Research Inc. to select "the 100 most significant new technical projects." GE again led all other companies by winning eight awards—two to GE lamp research, one each to the Nuclear Energy and Medical Systems Divisions and four to the R&D Center.

An additional quantitative measurement is provided by the number of patents issued for GE developments. The 1973 total of patents issued: 1,116, or over four every working day.

Areas of emphasis for General Electric research and development *in 1973 are indicated by the photographs at left:*

1. Energy research, focusing on increasing the efficiency and use of non-petroleum fuels, comprised the largest sector for GE's 1973 corporate R&D, receiving more than double the effort of four years ago. Areas of intensive exploration include: improvements in gas turbines, coal gasification, laser fusion, uranium enrichment, high-density storage batteries and ultra-low-temperature power transmission. Shown: new turbine rotor precision balance cell in Schenectady, N. Y., a new tool to aid in developing improved reliability of power generating apparatus.

2. Focus on social needs is exemplified by present area of concentration by 1973 Nobel Prize Winner Ivar Giaever. Recognized for pioneering work in electronics, Dr. Giaever is now at work in biophysics. Shown: his technique for diagnosing diseases by detecting antibodies in the human blood stream.

3. GE physicist Dr. Leonard M. Goldman works on project at the University of Rochester to produce controlled thermonuclear fusion with high-power lasers.

4. Emphasis on applying defense and space technologies to earth's problems is represented by efforts of Robert E. Warr (standing) of GE Electronics Laboratory in Syracuse, N.Y., to translate knowledge gained in studies of spacecraft solid-state components to more reliable components for consumer products.

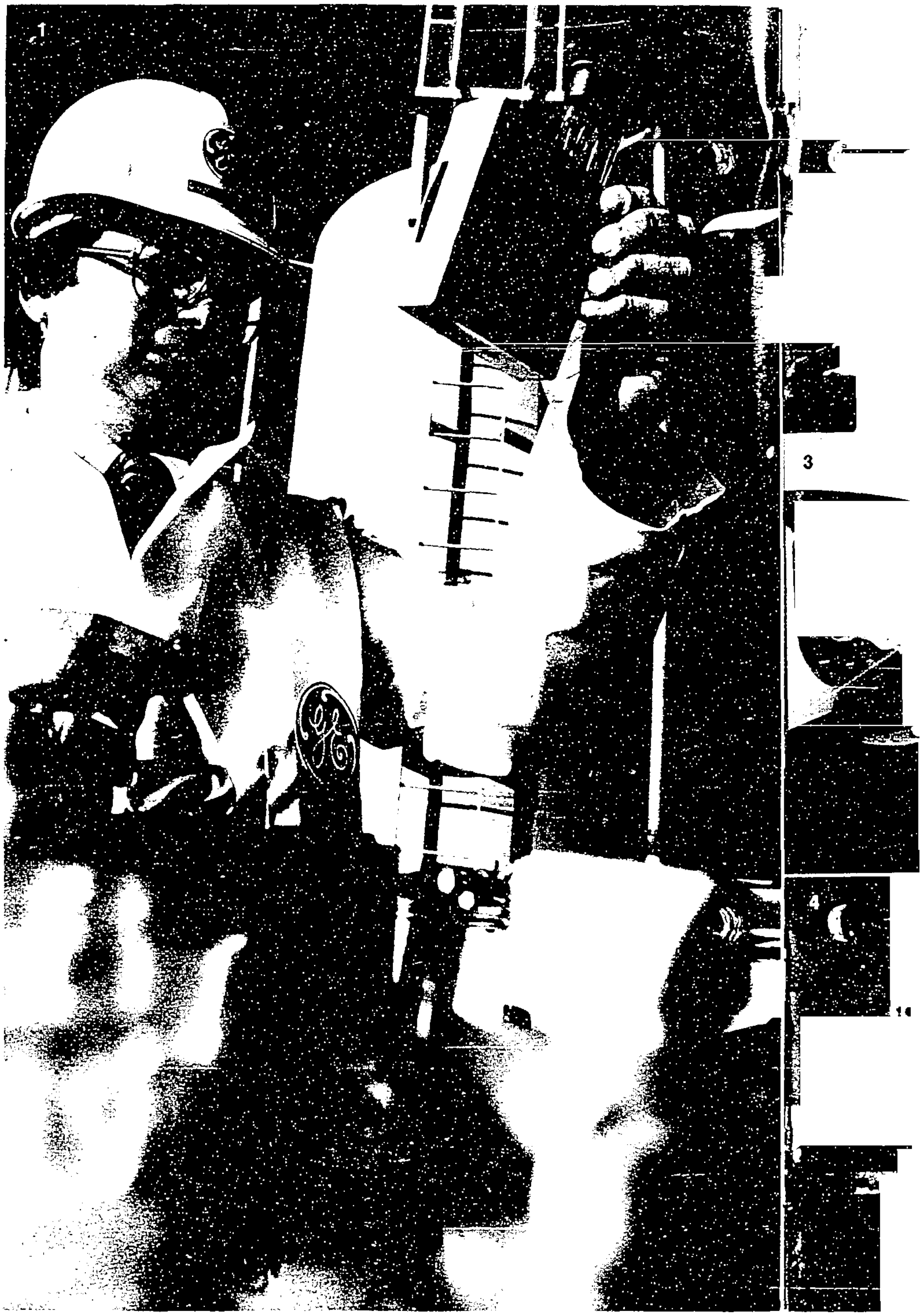
Public Issues Committee

To carry out its responsibilities to the share owners, the Board must take into account significant trends in the political and social environment and their impact on decision making in General Electric.

The Public Issues Committee aids the Board by concentrating on major public issues and assessing management's response to them. We are interested in the process by which the Company identifies and evaluates these issues, and in the posture, policies, programs and practices adopted by management. Our reviews include, but are not limited to, the entire spectrum of political-legislative developments having broad social as well as economic significance—e.g. corporate governance, industrial concentration, consumerism, equal employment policies and the environmental effects of Company operations and products. We also review the Company's support of business, charitable and educational organizations.

During 1973 we gave particular attention to equal employment policies and to trends in governmental policies on overseas trade and investment by U.S.-based companies. We should note that based on our reviews of the latter, we support the positions of management that call for governmental policies to encourage and strengthen, rather than limit, the overseas activities of U.S. businesses as the most valid response to the competitive realities of world trade.

Gilbert W. Humphrey, *Chairman*



"Progress for People," a theme expressing General Electric's strong social emphasis, was the specific focus for a number of GE programs in 1973.

Highlight of the Company's programs for General Electric people was the peaceful settlement of negotiations on new contracts with unions representing some 135,000 employees. The new contracts, ratified in June, extend through June 1976. Included are wage and cost-of-living increases of up to 88 cents per hour over the 37-month period, as well as improvements in employee benefits

Responding to energy shortages, General Electric's Corporate Executive Office on November 1, 1973 assigned Senior Vice President Hershner Cross the responsibility for a Companywide Energy Utilization and Conservation Program. The program aims to minimize disruption of services to customers and of employment by accelerating GE's waste avoidance programs and instituting new energy conservation measures.

Gains for minorities and women continued to be a high GE priority in 1973 The number of minority men and women employed rose to more than 33,500, or about 11% of GE's total U S. work force. Over the five years since 1968, minority employment by General Electric has risen over 55%. Of the new people hired in 1973, over 18% were minorities. Similarly, the percentage of women rose to over 28% of GE's total employment and women accounted for better than 36% of new hires in 1973

The number of minority managers rose by 17% in 1973 and women by some 14%, while total managerial ranks increased about 2%. On a 6% increase in professional employees during 1973, minority professionals were up by 17% and women 28%.

GE's Environmental Protection Operation, a corporate-level staff of environmental experts, is supported by protection programs in place at each of the Company's manufacturing facilities. This group was active during 1973 in helping to establish the procedures to translate into action the legislative mandates of recently enacted environmental legislation. A number of GE plants received public recognition for the effectiveness of their pollution control programs, including the first two GE plants to receive discharge permits under the Federal Water Pollution Control Act Amendment of 1972.

In educational support, the General Electric Foundation made grants totaling $3.3 million to over 700 educational institutions. Among its 1973 initiatives, the Foundation established a grants program to encourage research, publication and teaching on issues involved in business-government-society relationships. In addition, General Electric authorized educational contributions of $450,000. The Annual Report of the Foundation will be available on request.

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1. Water pollution control system at GE's new Florence, S.C., facility received praise of State officials as a leading example of effective industrial water treatment facilities.

2. TV news reporter Jacqueline Maddox of GE's WNGE in Nashville received on-the-job training to prepare her for the position of news reporter. GE stations were first in Schenectady, Denver and Nashville with minority news reporters

3. GE's Expotech van rolls directly into minority neighborhoods and schoolyards with "hands on" exhibits to explain and dramatize engineering principles—one facet of GE's program to help increase the numbers of minority engineering graduates.

4. The Owens-Corning Energy Conservation Award came to GE's Lynn, Mass., River Works plant for combining a gas turbine electric power generator with a heat recovery steam generator to save some two million gallons of fuel oil annually.

Management Development and Compensation Committee

During 1973 this Committee, on which only outside Directors serve, reviewed the Company's management resources, its executive manpower development and selection process and the performance of key executives.

The Committee has also been delegated the task of administering the various executive compensation plans so as to assure their effective utilization to attract, hold and motivate key employees.

By these and other measures, the Committee seeks to assure sound managerial capability for General Electric both at present and in the future.

Ralph Lazarus, *Chairman*

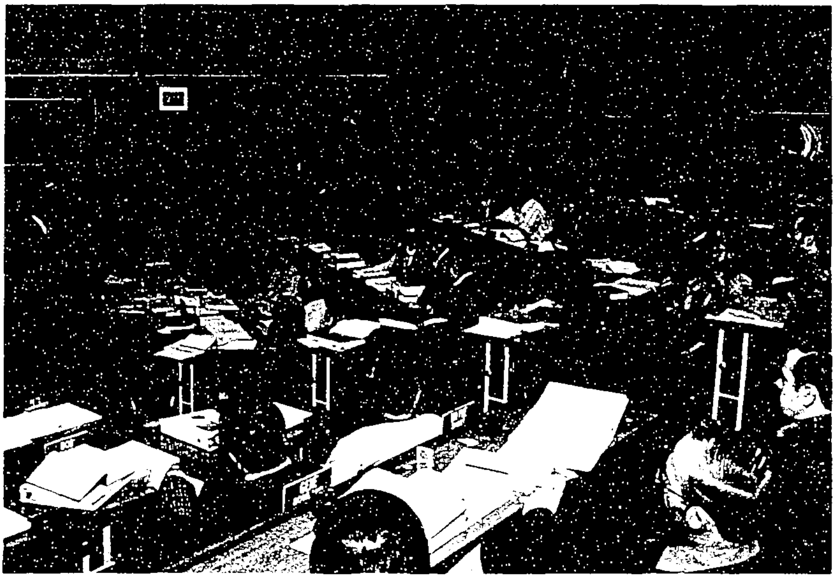
Depth in management at General Electric is provided both by the great range of opportunities for actual managerial experience resulting from the Company's decentralized organization structure and by a varied offering of Company-conducted managerial and professional educational programs.

Seasoned managerial support for the Corporate Executive Office, comprised of the Chairman of the Board and three Vice Chairmen and Executive Officers, is provided by the officers pictured at right. Together with the Corporate Executive Office, the six Senior Vice Presidents constitute the Corporate Policy Committee—a forum for reviewing and communicating matters of broad corporate concern. Included in the Committee's range of interests: the corporate mission, objectives and strategic planning; Company policies and management concepts; and assessment of other matters of overall corporate impact or significance.

Each of the Vice Presidents and Group Executives pictured is responsible for meeting the needs of a major segment of General Electric's customers.

Managerial and professional education offered by General Electric provides a continuity of learning opportunities from entry-level courses through programs for senior executives. A new Professional Employees Seminar, for example, helps to orient entry-level employees. The Quality Engineering Seminar helps more senior specialists and managers keep abreast of rapidly changing technology and methodology. Among the many more advanced education programs are the Business Management Course and an array of workshops for Department-level managers and above. In 1973 the number of GE people participating in such "career-long learning" opportunities totaled over 15,000.

Below: session of General Electric's Manager Development Course at the Company's Management Development Institute, Crotonville, New York.



Senior Vice Presidents

Hershner Cross
Corporate Administrative Staff

Reuben Gutoff
Corporate Strategic Planning

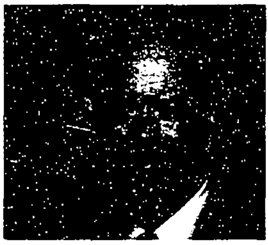
Oscar L. Dunn
Corporate Development

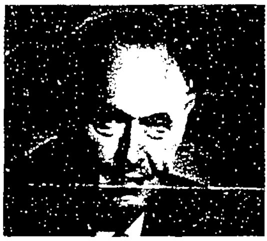
Charles E. Reed
Corporate Studies and Programs

Thomas O. Paine
Technology Planning
and Development

Robert M Estes
General Counsel
and Secretary

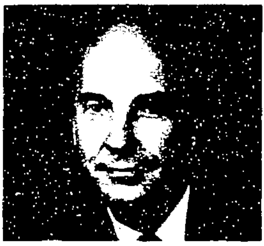
Vice Presidents and Group Executives


John F. Burlingame
International and Canadian


Mark Morton
Aerospace

Edward E. Hood, Jr.
Power Generation

Thomas A. Vanderslice
Special Systems and Products


Robert R. Frederick
Consumer Products

Gerhard Neumann
Aircraft Engine

Robert B. Kurtz
Industrial

John F. Welch, Jr.
Components and Materials

Stanley C. Gault
Major Appliance

Arthur E. Peltosalo
Power Delivery

Management

Corporate Executive Officers

Reginald H. Jones
Chairman of the Board
and Chief Executive Officer

Walter D. Dance
Vice Chairman of the Board
and Executive Officer

Jack S. Parker
Vice Chairman of the Board
and Executive Officer

Senior Vice Presidents

Hershner Cross
Senior Vice President
Corporate Administrative Staff

Oscar L. Dunn
Senior Vice President
Corporate Development

Robert M. Estes
Senior Vice President
General Counsel
and Secretary

Vice Presidents and Group Executives

John F. Burlingame
VP and Group Executive
International & Canadian Group

Robert R. Frederick
VP and Group Executive
Consumer Products Group

Stanley C. Gault
VP and Group Executive
Major Appliance Group

Edward E. Hood, Jr.
VP and Group Executive
Power Generation Group

Robert B. Kurtz
VP and Group Executive
Industrial Group

Corporate Staff Officers

L. William Ballard, Jr.
VP—Central Regional
Relations

Harry M. Lawson
VP—Western Regional
Relations

Walter A. Schlotterbeck
VP and Corporate Counsel

Marshall Bartlett
VP and Consultant

Robert W. Lewis
VP—Corporate Facilities Services

Cecil S. Semple
VP—Corporate Customer
Relations

Arthur M. Bueche
VP—Research and Development

Leonard C. Maier, Jr.
VP—Corporate Consulting
Services

Steven C. Van Voorhis
VP—Northeastern Regional
Relations

Mark J. D'Arcangelo
VP—Corporate Employee
Relations

Edward H. Malone
VP—Trust Operations

Alva O. Way
VP—Finance

L. Berkley Davis
VP—Washington Corporate
Office

Maurice H. Mayo
VP and Comptroller

Russell E. Whitmyer
VP and Treasurer

Operations

International & Canadian Group

Willis E. Forsyth
VP and General Manager
Latin America Division

Richard W. Foxen
General Manager
Europe Division

William L. Lurie
VP—International Strategic
Planning and Review

J. Russell Mudge
VP and General Manager
Far East Division

Hoyt P. Steele
VP and General Manager
International Sales Division

Walter G. Ward
Chairman of the Board
and Chief Executive Officer
Canadian General Electric
Company Limited (an affiliate
of General Electric)

Alton S. Cartwright
President
Canadian General Electric
Company Limited

Consumer Products Group

John S. Chamberlin
VP and General Manager
Housewares Division

Robert V. Corning
VP and General Manager
Lamp Division

Donald E. Perry
VP and General Manager
Home Entertainment Division

Charles G. Klock
President and General Manager
General Electric
Credit Corporation
(an affiliate of General Electric)

Thomas W. Moore
President
Tomorrow Entertainment, Inc.
(an affiliate of General Electric)

Major Appliance Group

A. Melcher Anderson
VP and General Manager
Home Laundry Division

Arthur E. Andres
VP and General Manager
Contract Sales Division

William B. Clemmens
VP and General Manager
Retail Sales Division

Richard O. Donegan
VP—Group Strategic
Planning Operation

Joseph H. Gauss
VP and General Manager
Air Conditioning Division

Irving L. Griffin
VP and General Manager
Refrigerator Division

Wayman O. Leftwich, Jr.
General Manager
Dishwasher & Disposal Division

Donald W. Lynch
VP and General Manager
Range Division

Lester E. Pankonin
VP and General Manager
Distribution Finance
and Service Division

Edward L. Stehle
VP—Customer Relations and
Sales Support Operation

Power Generation Group

Donald E. Craig
Vice President

Herman R. Hill
VP and General Manager
Steam Turbine-Generator Division

Milton F. Kent
VP and General Manager
Power Generation Sales Division

Whitman Ridgway
VP and General Manager
Gas Turbine Division

George J. Stathakis
VP and General Manager
Nuclear Energy Division

Clement E. Sutton, Jr.
VP—Uranium Enrichment Project

Edward C. Clark
Deputy Division General Manager
Industrial and Marine
Steam Turbine Operations

John D. Selby
Deputy Division General Manager
Boiling Water
Reactor Operations
Nuclear Energy Division

John A. Urquhart
Deputy Division General Manager
Power Generation Sales Division

Industrial Group

Kristian H. Christiansen
VP and General Manager
Industrial Sales Division

James P. Curley
VP and General Manager
Contractor Equipment
Division

Ralph B. Glotzbach
VP and General Manager
Apparatus Distribution
Sales Division

Bruce O. Roberts
VP and General Manager
AC Motor and Generator
Division

Robert J. Rodwell
VP and General Manager
Automation Division

Peter C. Van Dyck
VP and General Manager
Apparatus Service Division

Louis E. Wengert
VP—Group Business
Development

Herman L. Weiss
Vice Chairman of the Board
and Executive Officer

R.[illegible]n Gutoff
Senior Vice President
Corporate Strategic Planning

Thomas O. Paine
Senior Vice President
Technology Planning
and Development

Charles E. Reed
Senior Vice President
Corporate Studies and Programs

Mark Morton
VP and Group Executive
Aerospace Group

Gerhard Neumann
VP and Group Executive
Aircraft Engine Group

Arthur E. Peltosalo
VP and Group Executive
Power Delivery Group

Thomas A. Vanderslice
VP and Group Executive
Special Systems & Products Group

John F. Welch, Jr.
VP and Group Executive
Components & Materials Group

Lester W. Dettman
VP—East Central Regional
Relations

Thomas K. Edenfield
VP—Southeastern Regional
Relations

William B. Frogue
VP—Southwestern Regional
Relations

Harry P. Gough
VP—Mid-States Regional
Relations

Roy L. Johnson
VP and Staff Executive
Executive Manpower

John B. McKitterick
VP and Staff Executive
Environmental Analysis

Halbert B. Miller
VP and Staff Executive
Production Resources

Douglas S. Moore
VP—Corporate Public Relations

Phillips S. Peter
VP and Staff Executive
Corporate Business Development

Donald D. Scarff
VP—Atlantic Regional
Relations

James F. Young
VP and Staff Executive
Technical Resources

Aerospace Group

Roy H. Beaton
VP and General Manager
Electronic Systems Division
David Cochran
VP and General Manager
Aerospace Programs
Relations Division
Daniel J. Fink
VP and General Manager
Space Division
C[illegible]es W. George
V[illegible] and General Manager
Aircraft Equipment Division
Otto Klima
VP and General Manager
Re-entry & Environmental
Systems Division

Aircraft Engine Group

Raymond F. Letts
VP and General Manager
Group Manufacturing Division
Fred O. MacFee, Jr.
VP—Group Strategic Planning
Brian H. Rowe
VP and General Manager
Commercial Engine
Projects Division
Edward Woll
VP and General Manager
Group Engineering Division
James E. Worsham
VP and General Manager
Military Engine Projects Division

Power Delivery Group

Charles J. Meloun
VP and General Manager
Transformer and Distribution
Equipment Division
A. Eugene Schubert
VP—Group Strategic
Planning and Review
William R. Smart
VP and General Manager
Switchgear Equipment Division
William R. Tackaberry
VP and General Manager
Power Transmission and
Distribution Sales Division

Special Systems & Products Group

George J. Feeney
VP and General Manager
Information Services Division
Richard P. Gifford
VP—Communication Projects
Christopher T. Kastner
VP and General Manager
Communication Systems Division
Erwin M. Koeritz
VP and General Manager
Construction Materials Division
Kertis P. Kuhlman
VP and General Manager
General Electric Supply Company
Division
Louis V. Tomasetti
VP and General Manager
Transportation Systems Division

Components & Materials Group

Charles R. Carson
General Manager
Chemical and Metallurgical
Division
Julien R. Charlier
VP—Components and
Materials Group
International Projects
Robert T. Daily
General Manager
Plastics Division
George B. Farnsworth
VP and General Manager
Electronic Components Division
Fred H. Holt
VP and General Manager
Appliance Components Division
Walter L. Robb
VP and General Manager
Medical Systems Division

Audit and Finance Committee

The meetings held by this Committee during 1973 included two in which Committee members (no management personnel being present) met with the independent certified public accountants with respect to their audit of the accounts and records of the Company and their review and certification of the Company's financial statements. It also reviewed the internal accounting and auditing procedures of the Company to assure that the Company's system of financial controls is adequate and being operated effectively.

In furtherance of its function as a reviewing and recommending body to the Board and Company in financial matters, the Committee also reviews the financial position of the Company, its short- and long-term financing plans, specific financing proposals, major investment programs and opportunities, plans and programs involving the purchase or redemption of Company securities and dividend policy. We were gratified to be able to recommend to the full Board the dividend increase adopted in 1973.

John E. Lawrence, *Chairman*

1973 Financial Summary

This summary comments on significant items in the consolidated financial statements on pages 31, 32 and 33, generally in the same order as they appear in those statements.

The information contained in this summary, in the opinion of management, substantially conforms with or exceeds the information supplied in the annual financial statements constituting part of the report (commonly called the "10-K Report") submitted to the Securities and Exchange Commission. The few exceptions, considered non-substantive, are noted as appropriate in the following text. A reproduction of the following statements and summary is filed with that agency.

As an aid in evaluating the data in this Financial Summary, significant accounting and reporting principles and policies followed by General Electric are printed in blue.

Consolidated financial statements and accompanying schedules in this Report include a consolidation of the accounts of the Parent—General Electric Company— and those of all majority-owned affiliates (except finance affiliates since their operations are not similar to those of the consolidated group). All significant items relating to transactions between Parent and affiliated companies are eliminated from consolidated statements. Sales and net earnings attributable to each of the Company's major categories are summarized on page 3.

Except for fixed assets and accumulated depreciation, assets and liabilities of foreign affiliates are translated into U.S. dollars at year-end exchange rates, and income and expense items are translated at average rates prevailing during the year. Fixed assets and accumulated depreciation are translated at rates in effect at dates of acquisition of the assets. The net effect of translation gains and losses is included as other costs in current year operations. Translation losses for 1973 and 1972 were $3.5 million and $4.2 million respectively.

Net earnings include the net income of finance affiliates and the consolidated group's share of earnings of associated companies which are not consolidated but in which the group owns 20% or more of the voting stock.

During 1973, net earnings amounted to $585.1 million compared with prior year earnings of $530.0 million. Earnings per common share were $3.21 in 1973 compared with $2.91 in 1972. Fully diluted earnings per common share, which would result from the potential exercise or conversion of

(continued on page 34)

Statement of Current and Retained Earnings

General Electric Company and consolidated affiliates *(In millions)*

For the year	**1973**	**1972**
Sales of products and services to customers	$11,575.3	$10,239.5
Operating costs		
Employee compensation, including benefits	4,709.7	4,168.4
Materials, supplies, services and other costs	5,690.5	4,973.1
Depreciation	334.0	314.3
Taxes, except those on income	113.5	116.3
Increase in inventories during the year	(227.2)	(147.3)
	10.620.5	9,424.8
Operating margin	954.8	814.7
Other income	183.7	189.2
Interest and other financial charges	(126.9)	(106.7)
Earnings before income taxes & minority interest	1,011.6	897.2
Provision for income taxes	(418.7)	(364.1)
Minority interest in earnings of consolidated affiliates	(7.8)	(3.1)
Net earnings applicable to common stock	585.1	530.0
Dividends declared	(272.9)	(254.8)
Amount added to retained earnings	312.2	275.2
Retained earnings at January 1	2,371.4	2,096.2
Retained earnings at December 31	$ 2,683.6	$ 2,371.4
Earnings per common share *(In dollars)*	$3.21	$2.91
Dividends declared per common share *(In dollars)*	$1.50	$1.40

The 1973 Financial Summary beginning on page 30 and ending on page 41 is an integral part of this statement

Statement of Financial Position

General Electric Company and consolidated affiliates *(In millions)*

December 31	1973	1972
Assets		
Cash	$ 296.8	$ 267.0
Marketable securities	25.3	27.3
Current receivables	2,177.1	1,926.0
Inventories	1,986.2	1,759.0
Current assets	4,485.4	3,979.3
Investments	869.7	754.9
Plant and equipment	2,360.5	2,136.6
Other assets	608.6	531.0
Total assets	$8,324.2	$7,401.8
Liabilities and equity		
Short-term borrowings	$ 665.2	$ 439.4
Accounts payable	673.5	558.1
Progress collections and price adjustments accrued	718.4	624.2
Dividends payable	72.7	63.7
Taxes accrued	310.0	308.6
Other costs and expenses accrued	1,052.6	875.7
Current liabilities	3,492.4	2,869.7
Long-term borrowings	917.2	947.3
Other liabilities	492.1	456.8
Total liabilities	4,901.7	4,273.8
Minority interest in equity of consolidated affiliates	50.1	43.4
Preferred stock	—	—
Common stock	463.8	463.1
Amounts received for stock in excess of par value	409.5	396.6
Retained earnings	2,683.6	2,371.4
	3,556.9	3,231.1
Deduct common stock held in treasury	(184.5)	(146.5)
Total share owners' equity	3,372.4	3,084.6
Total liabilities and equity	$8,324.2	$7,401.8

The 1973 Financial Summary beginning on page 30 and ending on page 41 is an integral part of this statement

Statement of Changes in Financial Position

General Electric Company and consolidated affiliates *(In millions)*

For the year	1973	1972
Source of funds		
From operations:		
Net earnings	$ 585.1	$ 530.0
Depreciation	334.0	314.3
Income tax timing differences	—	(23.8)
Earnings of the Credit Corporation less dividends paid	(10.7)	(8.1)
	908.4	812.4
Major domestic long-term borrowings	—	125.0
Overseas Capital Corporation long-term borrowings	17.1	50.8
Increase in other long-term borrowings—net	2.0	5.3
Newly-issued common stock	11.7	13.4
Total source of funds	939.2	1,006.9
Application of funds		
Plant and equipment additions	598.6	435.9
Dividends declared	272.9	254.8
Investments	114.8	40.6
Reduction in major domestic long-term borrowings	31.5	17.2
Reduction in Overseas Capital Corporation long-term borrowings	17.7	3.9
Other—net	20.3	(56.5)
Total application of funds	1,055.8	695.9
Net increase (decrease) in working capital	$ (116.6)	$ 311.0
Analysis of changes in working capital		
Cash and marketable securities	$ 27.8	$ 8.3
Current receivables	251.1	184.7
Inventories	227.2	147.3
Short-term borrowings	(225.8)	130.4
Other payables	(396.9)	(159.7)
Net increase (decrease) in working capital	$ (116.6)	$ 311.0

The 1973 Financial Summary beginning on page 30 and ending on page 41 is an integral part of this statement

(continued from page 30)

such items as stock options and convertible debt outstanding, were $3.18 in 1973 and $2.87 in 1972.

Sales of products and services to customers are reported in operating results only as title to products passes to the customer and as services are performed as contracted.

Sales in 1973 totaled $11,575.3 million, an increase of 13% over the 1972 level.

Costs are classified in the statement of current earnings according to the principal types of costs incurred. Operating costs, excluding interest and income taxes, classified as they will be reported to the Securities and Exchange Commission, were: cost of goods sold of $8,515.2 million in 1973 and $7,509.6 million in 1972; and selling, general and administrative expenses of $2,105.3 million in 1973 and $1,915.2 million in 1972. Supplemental details required by the SEC are shown in the table below.

Supplemental Cost Details	*(In millions)* **1973**	**1972**
Company funded research and development using National Science Foundation definitions	$330.7	$303.2
Maintenance and repairs	319.6	270.4
Social security taxes	225.8	167.5
Advertising and sales promotion	170.5	149.0
Rent	86.6	71.5

Employee compensation, including the cost of employee benefits, amounted to $4,709.7 million in 1973. During the year, agreements were reached with various labor unions as described earlier in this Report.

General Electric Company and its affiliates have a number of pension plans, the total cost of which was $135.5 million in 1973 and $107.6 million in 1972. The most significant of these plans is the General Electric Pension Plan in which substantially all employees in the United States who have completed one year of service with the Company are participating and the obligations of which are funded through the General Electric Pension Trust. Financial statements of the Trust appear at right.

Investments of the Pension Trust are carried at amortized cost plus a programmed portion of unrealized appreciation in the common stock portfolio. This accounting recognizes the long-term nature of pension obligations by stressing long-term market trends.

The funding program uses 6% as the estimated rate of future income which includes provision for the systematic recognition of the unrealized appreciation in the common stock portfolio. This program has the objective of recognizing appreciation which, when added to cost, will result in a common stock book value approximating 80% of market value (consistent with Armed Services Procurement Regulations)

The actual earnings of the Trust, including the programmed recognition of appreciation, as a percentage of book value of the portfolio were 6.5% for 1973 and 6.6% for 1972.

Unfunded liabilities of the Trust are being amortized over a 20-year period and are estimated to be $474 million at December 31, 1973 based on book value of Trust assets compared with $323 million at the end of 1972. These amounts included unfunded vested liability of $377 million at December 31, 1973 and $239 million at December 31, 1972. The estimated market value exceeded book value of Trust assets by $309 million and $693 million at the end of 1973 and 1972 respectively.

Effective July 1, 1973, a supplementary pension plan was approved by the Company's Board of Directors, the purpose of which is to ensure that the pension benefits of long-service professional and managerial employees, when combined

General Electric Pension Trust		*(In millions)*
Operating statement	**1973**	**1972**
Total assets at January 1	$2,267.1	$2,071.8
Company contributions	125.9	102.2
Employee contributions	38 6	32.3
	164.5	134.5
Dividends, interest and sundry income	111.4	101 8
Common stock appreciation:		
Realized	34.2	44.8
Unrealized portion recognized	34.4	21.3
	68.6	66.1
Pensions paid	(115.6)	([illegible]1)
Total assets at December 31	$2,496.0	$2,267.1
Financial position—December 31		
Short-term investments	$ 51.3	$ 180.3
U.S. Government obligations and guarantees	56.0	60 1
Corporate bonds and notes	344.8	348 7
Real estate and mortgages	410.7	397.6
Common stocks & convertibles	1,530.6	1,211.1
Total investments	2,393.4	2,197 8
Other assets—net	102.6	69.3
Total assets	$2,496.0	$2,267.1
Funded liabilities:		
Liability to pensioners	$ 874.9	$ 799 9
Liability for pensions to participants not yet retired	1,621.1	1,467.2
Total funded liabilities	$2,496 0	$2,267.1

with their social security benefits, bear a reasonable relationship to their final average earnings. Obligations of this pension supplement are not funded. Current service costs and amortization of past service costs over a period of 20 years are being charged to operations currently. Cost for the parti[illegible]ear 1973 was $2.0 million.

Depreciation amounted to $334.0 million in 1973 and $314.3 million in 1972.

An accelerated depreciation method, based principally on a sum-of-the-years digits formula, is used to depreciate plant and equipment in the United States purchased in 1961 and subsequently. Assets purchased prior to 1961, and most assets outside the United States, are depreciated on a straight-line basis. Special depreciation is provided where equipment may be subject to abnormal economic conditions or obsolescence.

Taxes, except those on income, totaled $113.5 million in 1973 and $116.3 million in 1972. These taxes were mainly franchise and property taxes. They exclude social security taxes, which are included with employee benefits.

Other income amounted to $183.7 million in 1973, a decrease of $5.5 million from 1972. Significant items included in other income are shown below.

Other Income *(In millions)*

	1973	1972
Net earnings of the Credit Corporation	$41.7	$41.1
Income from:		
Customer financing	32.4	26.8
Royalty and technical agreements	36.9	30.2
[illegible]ketable securities and bank deposits	17.7	19.1
Other investments	31.6	31.8
Sale of Honeywell stock	7.8	29.5
Other sundry income	15.6	10.7
	$183.7	$189.2

Net earnings of General Electric Credit Corporation were $41.7 million in 1973, about the same as in 1972. Condensed financial statements for the Credit Corporation appear on page 37.

In view of depressed stock market conditions during 1973, the Company sold only 168,000 shares of Honeywell common stock as compared with 370,000 shares sold during 1972. Capital gains (using average cost) from these sales were $7.8 million and $29.5 million respectively ($5.5 million and $20.7 million after taxes).

Interest and other financial charges increased to $126.9 million in 1973 from $106.7 million in 1972 primarily because of higher short-term borrowing rates. Amounts applicable to principal items of long-term borrowings were $58.3 million in 1973 and $52.5 million in 1972.

Provision for income taxes amounted to $418.7 million in 1973. Details of this amount are shown on page 36.

Provision for income taxes generally is computed using the comprehensive interperiod tax allocation method and is based on the income and costs included in the earnings statement shown on page 31.

Amounts of income taxes shown as payable are determined by applicable statutes and government regulations. Timing differences result from the fact that under applicable statutes and regulations some items of income and cost are not recognized in the same time period as good accounting practice requires them to be recorded. The cumulative net effect of such items is that earnings on which tax payments were required have been higher than earnings reported in the Company's Annual Reports. Accordingly, a deferred-tax asset has been established to record the reduction of future tax payments. Principal items applicable to U.S. Federal income taxes, and their effect on taxes payable are shown on page 36. Individual timing differences reflected in foreign income taxes were not significant.

Provision has been made for Federal income taxes to be paid on that portion of the undistributed earnings of affiliates expected to be remitted to the Parent. Undistributed earnings of affiliates intended to be reinvested indefinitely in the affiliates totaled $328 million at the end of 1973 and $252 million at the end of 1972.

U.S. Federal income tax returns of the Parent have been settled through 1964.

The Company follows the practice of amortizing the investment credit to income over the life of the underlying facilities rather than in the year in which facilities are placed in service. Investment credit amounted to $23.6 million in 1973 compared with $20.4 million in the prior year. In 1973 $10.6 million was added to net earnings compared with $8.3 million in 1972. At the end of 1973, the amount still deferred and to be included in net eanings in future years was $72.8 million. If the Company had "flowed through" the investment credit, this amount would have been included in earnings during 1973 and prior years.

Provision for income taxes amounted to 41.4% of income before taxes. Items accounting for the principal portion of the difference of 6.6 points between that rate and the 48.0%

Provision for income taxes	*(In millions)*	
	1973	**1972**
U. S. Federal income taxes:		
Estimated amount payable	$321.2	$315.3
Effect of timing differences	0.4	(21.0)
Investment credit deferred—net	13.0	12.1
	334.6	306.4
Foreign income taxes:		
Estimated amount payable	71.4	48.1
Effect of timing differences	(0.4)	(2.8)
	71.0	45 3
Other (principally state and local income taxes)	13.1	12 4
	$418.7	$364.1

Effect of timing differences on U. S. Federal income taxes	*(In millions)*	
Increase (decrease) in provision for income taxes		
	1973	**1972**
Tax over book depreciation	$ 12.1	$ 2.3
Undistributed earnings of affiliates	6.7	12.3
Margin on installment sales	1.1	(6.1)
Provision for:		
Warranties	(7.7)	(19.6)
Other costs and expenses	(2.4)	(5.9)
Other—net	(9.4)	(4.0)
	$ 0.4	$ (21.0)

U.S. Federal ordinary income tax rate were the effect of consolidated affiliates, 2.5 points; inclusion of the earnings of the Credit Corporation in before-tax income on an "after-tax" basis, 2.0 points; investment credit, 1.0 points; and lower taxes on capital gains, 0.3 points.

Minority interest in earnings of consolidated affiliates represents the interest which other share owners have in net earnings and losses of consolidated affiliates not wholly owned by the Company.

Cash and marketable securities totaled $322.1 million at the end of 1973, an increase of $27.8 million from the end of 1972. Time deposits and certificates of deposit aggregated $134.4 million at December 31, 1973 and $113.7 million at December 31, 1972. Deposits restricted as to usage and withdrawal or used as partial compensation for short-term borrowing arrangements were not material.

Marketable securities are carried at the lower of amortized cost or market value Carrying value was substantially the same as market value.

Current receivables, less allowance for losses, totaled $2,177.1 million at December 31, 1973 as shown in the table below. The increase of $251.1 million, or 13% during the year, was due principally to the increase in sales in 1973. Other current receivables include the current portion of advances to suppliers and similar items not directly arising from sales of goods and services. Long-term receivables, less allowance for losses, are reported under other assets. Supplemental information on sources of charges and credits to allowance for losses is included in the Form 10-K Report.

Current receivables	*(In millions)*	
December 31	**1973**	**1972**
Customers' accounts and notes	$1,996.4	$1,784.1
Nonconsolidated affiliates	0.5	0.6
Other	238 7	192.4
	2,235.6	1,977.1
Less allowance for losses	(58.5)	(51.1)
	$2,177.1	$1,926 0

Inventories are summarized below, and at the end of 1973 were $1,986.2 million compared with $1,759.0 million at December 31, 1972 and $1,611.7 million at January 1, 1972. About 84% of total inventories are in the United States and substantially all of these are valued on a last-in, first-out (LIFO) basis Substantially all of those outside the United States are valued on a first-in, first-out (FIFO) basis. Such valuations are not in excess of market and are based on cost, exclusive of certain indirect manufacturing expenses and profits on sales between the Parent and affiliated companies. The LIFO basis values inventories conservatively during inflationary times, and on a FIFO basis the year-end 1973 inventories would have been $429.7 million in excess of this valuation. This excess increased $125.6 million during 1973 and $31.3 million during 1972.

Inventories	*(In millions)*	
December 31	**1973**	**1972**
Raw materials and work in process	$1,276.1	$1,097.2
Finished goods	604.6	573.8
Unbilled shipments	105.5	88 0
	$1,986 2	$1,759.0

Working capital (current assets less current liabilities) totaled $993.0 million, a decrease of $116.6 million during

1973. The statement on page 33 provides a summary of major sources and applications of funds as well as an analysis of changes in working capital.

Investments amounted to $869.7 million at the end of 1973 as [illegible]own below.

Investments		*(In millions)*
December 31	**1973**	**1972**
Nonconsolidated finance affiliates	$327.4	$277 6
Honeywell Inc. and Honeywell Information Systems Inc.	154.6	167 3
Associated companies	68.1	47.7
Miscellaneous investments	331.7	274.6
	881.8	767.2
Less allowance for losses	(12.1)	(12.3)
	$869 7	$754 9

Investments in nonconsolidated finance affiliates are carried at equity plus advances Advances to these affiliates aggregated $0.7 million at the end of 1973 compared with a 1972 year-end balance of $15.8 million.

Investment in General Electric Credit Corporation, a wholly-owned nonconsolidated finance affiliate, amounted to $321.4 million at the end of 1973 and $275.8 million at the end of 1972. Condensed financial statements for the General Electric Credit Corporation and its consolidated affiliates are shown at right. Copies of their 1973 Annual Report may be obtained by writing to General Electric Credit Corporation, P O. Box 8300, Stamford, Conn. 06904.

Investments in the common stock of Honeywell Inc. and Honeywell Information Systems Inc. (HIS), a subsidiary of Honeywell, are recorded at appraised fair value as of date of acquisition, October 1, 1970, when the information systems equipment business was transferred to HIS. The appraised fair value recognized such factors as the size of the holdings, the various requirements and restrictions on the timing of the sale or other disposition of the securities, as well as the uncertainty of future events.

At December 31, 1973, General Electric held 1,612,432 shares of Honeywell common stock compared with 1,780,432 shares at December 31, 1972. Reflecting generally depressed market conditions, the shares on hand at the end of 1973 would have been valued at $113.1 million using the December 31 closing price. The market value of the shares on hand at year-end 1972 would have been $245.7 million. In addition, General Electric continued to hold an 18½% ownership in HIS.

As commented upon under Other Income, on page 35, General Electric sold 168,000 shares of Honeywell common stock in 1973 and 370,000 in 1972. Cumulative sales through the end of 1973 were 913,000 shares.

During 1975 through 1980, Honeywell has the option to purchase from General Electric, and General Electric has the option to require Honeywell to purchase, General Electric's interest in HIS. Payment would be in Honeywell common stock. General Electric has agreed that if the U.S. Attorney General so requests, it shall, prior to the end of 1980, exercise its option to require Honeywell to purchase General Electric's interest in HIS General Electric has committed to the U.S. Department of Justice to dispose of current holdings of Honeywell common stock in stages by June 30, 1978, and all other shares of Honeywell common stock received for

General Electric Credit Corporation		*(In millions)*
Financial position		
December 31	**1973**	**1972**
Cash and marketable securities	$ 141.4	$ 120.9
Receivables	3,835.0	3,032.1
Deferred income	(396.7)	(313 8)
Allowance for losses	(76.7)	(70.0)
Net receivables	3,361.6	2,648 3
Other assets	27.0	20.3
Total assets	$3,530.0	$2,789.5
Notes payable:		
Due within one year	$1,756.2	$1,271.6
Long-term—senior	760.8	738.1
—subordinated	254.8	205.5
Other liabilities	437 5	314.3
Total liabilities	3,209.3	2,529 5
Capital stock	160.0	110 0
Retained earnings	160.7	150.0
Equity	320.7	260.0
Total liabilities and equity	$3.530.0	$2,789.5
Current and retained earnings		
For the year	**1973**	**1972**
Earned income	$ 406.4	$ 319.8
Expenses:		
Operating and administrative	117 0	102.0
Interest and discount	190.3	108.5
Provision for receivable losses	28 1	35.9
Provision for income taxes	29.3	32.3
	364.7	278.7
Net earnings	41.7	41.1
Deduct dividends	(31.0)	(33.0)
Retained earnings at January 1	150.0	141.9
Retained earnings at December 31	$ 160.7	$ 150.0

General Electric's interest in HIS by December 31, 1980.

A voting trust has been established in which General Electric must deposit all shares of Honeywell common stock received as part of these transactions.

Investments in associated companies which are not consolidated but in which the Company owns 20% or more of the voting stock are valued by the equity method.

Miscellaneous investments are valued at cost. On December 31, 1973, the estimated realizable value of these investments was approximately $405 million, an increase of $35 million during the year

Plant and equipment represents the original cost of land, buildings and equipment less estimated cost consumed by wear and obsolescence. Plant additions were substantially greater in 1973 than in 1972 principally due to major additions to capacity in the Industrial Components and Systems category. Details of plant and equipment and accumulated depreciation are shown in the table below. Additions, dispositions, provisions for depreciation and other changes in plant and equipment, analyzed by major classes, are included in the 10-K Report. Expenditures for maintenance and repairs are charged to operations as incurred.

Plant and equipment		*(In millions)*
	1973	**1972**
Major classes at December 31:		
Land and improvements	$ 104.4	$ 103.0
Buildings, structures and related equipment	1,445.9	1,347.5
Machinery and equipment	3,138.5	2,828.2
Leasehold costs and plant under construction	231.0	170.5
	$4,919.8	$4,449.2
Cost at January 1	$4,449.2	$4,134.2
Additions	598.6	435.9
Dispositions	(128.0)	(120.9)
Cost at December 31	$4,919.8	$4,449.2
Accumulated depreciation		
Balance at January 1	$2,312.6	$2,108.5
Current year provision	334.0	314.3
Dispositions	(95.8)	(107.6)
Other changes	8.5	(2.6)
Balance at December 31	$2,559.3	$2,312.6
Plant and equipment less depreciation at December 31	$2,360.5	$2,136.6

Other assets, less allowance for losses of $15.1 million ($16.5 million at December 31, 1972), totaled $608.6 million at December 31, 1973. Principal items comprising these balances are shown below.

Deferred income taxes applicable to current assets and liabilities were $97.8 million and $94.1 million at the end of 1973 and 1972 respectively.

Research and development expenditures, except those specified as recoverable engineering costs on Government contracts, are charged to operations as incurred. Expenditures of Company funds for research and development are shown on page 34.

Licenses and other intangibles acquired after October 1970 are being amortized over appropriate periods of time.

Other assets		*(In millions)*
December 31	**1973**	**1972**
Long-term receivables	$173.4	$133.9
Customer financing	141.2	117.4
Deferred income taxes	131.0	130.5
Recoverable engineering costs on Government contracts	61.3	67.3
Deferred charges	32.4	23.5
Licenses and other intangibles—net	30.9	30.7
Other	38.4	27.7
	$608.6	$531.0

Short-term borrowings, those due within one year, totaled $665.2 million at the end of 1973, compared with $439.4 million at the end of the previous year. A summary of these borrowings at year-end 1973 and 1972, and the applicable average interest rate at December 31, 1973, is shown in the tabulation below.

The average balance of short-term borrowings, excluding the current portion of long-term debt, during 1973 was $594.7 million (calculated by averaging all month-end balances for the year). The maximum balance included in this calculation was $775.1 million at the end of November 1973. The aver-

Short-term borrowings		*(In millions)*
December 31	**1973**	**1972**
Banks		
Parent (average rate at 12/31/73—9.68%)	$ 99.0	$ 56.0
Consolidated affiliates (average rate at 12/31/73—11.87%)	158.7	115.6
Notes with Trust Departments (average rate at 12/31/73—7.93%)	215.8	215.9
Holders of commercial paper (average rate at 12/31/73—9.71%)	124.3	—
Other, including current portion of long-term debt	67.4	51.9
	$665.2	$439.4

age interest rate for the year 1973 was 9 9%, representing total short-term interest expense divided by the average balance outstanding.

Parent bank borrowings are principally from U S. sources. Bank borrowings of affiliated companies, most of which are for[illegible]n, are primarily from sources outside the U.S.

Although the total unused credit available to the Company through banks and commercial credit markets is not readily quantifiable, informal credit lines in excess of $750 million had been extended by approximately 135 U.S banks at year-end 1973.

Accounts payable at December 31, 1973 and 1972 are shown below.

Accounts payable *(In millions)*

December 31	1973	1972
Trade	$583.4	$489.3
Collected for the account of others	67 0	60.1
Nonconsolidated affiliates	23.1	8.7
	$673.5	$558.1

Other costs and expenses accrued at the end of 1973 included compensation and benefit costs accrued of $385.6 million and interest expense accrued of $22.6 million. At the end of 1972, compensation and benefit costs accrued were $339 9 million and interest expense accrued was $19.5 million. The remaining costs and expenses accrued included liabilities for items such as replacements under guarantees and allowances to customers.

Long-term borrowings amounted to $917.2 million at Dece[illegible]er 31, 1973, compared with $947.3 million at the end of 1972 as summarized at upper right.

General Electric Company 6¼% Debentures are due in 1979.

General Electric Company 7½% Debentures are due in 1996. Sinking fund payments are required beginning in 1977.

General Electric Company 5.30% Debentures are due in 1992. In accordance with sinking fund requirements, debentures having a face value of $10.0 million, and reacquired at a cost of $8.1 million, were retired in 1973. Debentures outstanding at the end of 1973 amounted to $160.8 million after deduction of reacquired debentures with a face value of $29.2 million held in treasury for 1974 and future sinking fund requirements.

General Electric Company 5¾% Notes are due in 1991. At December 31, 1973, $106.2 million was classified as long-term and $6.3 million was classified as short-term. Notes having a value of $6.3 million were retired during 1973 in accordance with prepayment provisions.

Long-term borrowings *(In millions)*

December 31	1973	1972
General Electric Company:		
6¼% Debentures	$125.0	$125 0
7½% Debentures	200.0	200 0
5 30% Debentures	160.8	171 9
5¾% Notes	106.2	112 5
3½% Debentures	84.3	98 4
General Electric Overseas Capital Corporation	181.4	182 0
Other	59.5	57 5
	$917.2	$947 3

General Electric Company 3½% Debentures are due in 1976. Debentures having a face value of $16.1 million, and reacquired at a cost of $13.0 million, were retired during 1973 in accordance with sinking fund provisions. Debentures outstanding at the end of 1973 amounted to $84.3 million after deduction of reacquired debentures with a face value of $28.8 million held in treasury for future sinking fund requirements.

Borrowings of General Electric Overseas Capital Corporation (a wholly-owned consolidated affiliate) are unconditionally guaranteed by General Electric as to payment of principal, premium, if any, and interest. This Corporation primarily assists in financing capital requirements of foreign companies in which General Electric has equity interest. The borrowings include the Corporation's 4¼% Guaranteed Bonds due in 1985 in the aggregate principal amount of $50.0 million. The bonds are convertible through November 1975 into General Electric common stock at $65.50 a share. Sinking fund payments on any 1985 bonds not converted are required beginning in 1976 Also included are the Corporation's 4¼% Guaranteed Debentures due in 1987 in the amount of $50.0 million and convertible from June 15, 1973 to June 15, 1987 into Company common stock at $80.75 a share. During 1973, the Corporation issued 5½% Sterling/Dollar Guaranteed Loan Stock due in 1993 in the amount of £3.6 million ($8 3 million), convertible from October 1976 into General Electric common stock at $73 50 a share.

Other long-term borrowings were largely borrowings by foreign affiliates with various interest rates and maturities.

Long-term borrowing maturities during the next five years, including the portion classified as current, are $42.0 million in 1974, $43.7 million in 1975, $132.3 million in 1976, $33.4 million in 1977 and $31.3 million in 1978. These amounts are after deducting reacquired debentures held in the treasury for sinking fund requirements.

Additional miscellaneous details pertaining to long-term borrowings are available in the 10-K Report.

Other liabilities were $492.1 million at December 31, 1973 compared with $456.8 million at December 31, 1972 and included such items as the deferred investment tax credit, the noncurrent portion of the allowance for replacements under guarantees, deferred incentive compensation, and other miscellaneous employee plans costs. Supplemental information is included in the 10-K Report.

Preferred stock, $1.00 par value, up to a total of 2,000,000 shares has been authorized by the share owners. No preferred shares have been issued.

Common stock, $2.50 par value, up to a total of 210,000,000 shares has been authorized by the share owners. Shares issued and outstanding at the end of the last two years are shown below. The number of new shares issued varies between periods depending principally on the requirements of employee plans and the timing of deliveries of shares under the provisions of those plans.

Common stock issued and outstanding

	1973	1972
Shares issued at January 1	185,243,848	184,936,318
New shares issued:		
Stock option plans	274,409	296,002
Savings and Security Program	—	11,528
Shares issued at December 31	185,518,257	185,243,848
Deduct shares held in treasury	(3,370,759)	(2,895,999)
Shares outstanding at December 31	182,147,498	182,347,849

Common stock held in treasury for various corporate purposes totaled $184.5 million at the close of 1973. The comparable amount at the end of 1972 was $146.5 million. Purchases during 1973 totaled 1,698,126 shares including 344,826 at current market prices from employees who acquired them through employee plans other than stock option plans. Other purchases were primarily through regular transactions in the security markets.

Treasury stock dispositions are shown in the table at the upper right. During 1973, the General Electric Company delivered 105,000 shares in connection with the acquisition of Midwest Electric Products Inc.

Dispositions of treasury shares

	1973	1972
Employee savings plans	1,011,101	876,231
Incentive compensation plans	107,216	94,515
Business combinations	105,000	—
Conversion of Overseas Capital Corporation 1985 bonds	—	151
Other	49	28
	1,223,366	970,925

Included in common stock held in treasury for the deferred compensation provisions of incentive compensation plans were 1,222,422 shares at December 31, 1973 and 1,151,053 shares at December 31, 1972. These shares are recorded at market value at the time of allotment. The liability is recorded under other liabilities.

The remaining common stock held in treasury is carried at cost, $127.7 million at the end of 1973 and $96.1 million at the end of 1972. These shares are held for future corporate requirements including 1,500,931 shares for possible conversion of General Electric Overseas Capital Corporation convertible indebtedness described under long-term borrowings, for distributions under employee savings plans and for incentive compensation awards.

Amounts in excess of par value received for stock increased $12.9 million during 1973 which resulted from amounts received for newly-issued shares in excess of par value of $11.1 million, and net gains from treasury stock transactions of $1.8 million. During 1972, there was an increase of $27.8 million which resulted from amounts received for newly-issued shares in excess of par value of $12.6 million and net gains from treasury stock transactions of $15.2 million.

Incentive compensation plans provide incentive for outstanding performance to over 3,000 key employees. Allotments made in 1973 for services performed in 1972 aggregated $27.8 million. Allotments made in 1972 for services performed in 1971 totaled $24.0 million.

Retained earnings at year-end 1973 included approximately $169.6 million representing the excess of earnings of General Electric Credit Corporation over dividends received from this affiliate since its formation. In addition, retained earnings have been reduced by $0.6 million, which represents the change in equity in associated companies since acquisition. At the end of 1972, these amounts were $158.9 million and $1.5 million respectively.

The Stock Option and Stock Appreciation Rights Plan, approved by share owners in 1973 by 96.5% of the votes cast. as well as previous plans under which options remain outstanding, provided continuing incentive for more than 500 employees. Option price under these plans is the full market value of General Electric common stock on date of grant. Therefore, participants in the plans do not benefit unless the stock's market price rises, thus benefiting all share owners. Also, an employee can only exercise his option to the extent that annual installments have matured, normally, over a period of nine years. Thus the plans encourage managers and professional employees to have the long-term entrepreneurial interest that will benefit all share owners. Details of the 1973 Plan were included in the 1973 Proxy Statement

A summary of stock option transactions during the last two years is shown below. At the end of 1973, there were 2,500,000 shares reserved for the 1973 Plan, and 2,123,266 shares covered by outstanding options granted under prior plans, for a total of 4,623,266 shares. Of this total amount, 803,209 shares were subject to exercisable options, 1,875,022 shares were under options not yet exercisable and 1,945,035 shares were available for granting options in the future. The number of shares available for granting options at the end of 1972 was 160,365; however, no options against these shares were granted and their availability was terminated May 1, 1973. Further details on stock options are available in the 10-K Report.

Stock Options	Shares subject to option	Average per share Option price	 Market price
Balance at Dec. 31, 1971	2,388,931	$45.70	$62.62
Options granted	475,286	67.62	67.62
Options exercised	(297,244)	42.71	65.79
Options terminated	(90,062)	45.52	—
Balance at Dec. 31, 1972	2,476,911	50.27	72.88
Options granted	554,965	64.75	64.75
Options exercised	(273,569)	42.84	63.69
Options terminated	(80,076)	52.50	—
Balance at Dec. 31, 1973	2,678,231	53.96	63.00

Lease commitments and contingent liabilities, consisting of guarantees, pending litigation, taxes and other claims, in the opinion of management, are not considered to be material in relation to the financial position of the Company.

Report of Independent Certified Public Accountants

To the Share Owners and Board of Directors of General Electric Company

We have examined the statements of financial position of General Electric Company and consolidated affiliates as of December 31, 1973 and 1972, and the related statements of current and retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of General Electric Company and consolidated affiliates at December 31, 1973 and 1972, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.

Peat, Marwick, Mitchell & Co.
345 Park Avenue, New York, N.Y. 10022
February 15, 1974

Ten year summary

On worldwide basis of consolidation	**1973**	**1972**
Sales of products and services	**$11,575.3**	$10,239.5
Employee compensation, materials and all other operating costs	**10,620.5**	9,424.8
Operating margin	**954.8**	814.7
Other income	**183.7**	189.2
Interest and other financial charges	**(126.9)**	(106.7)
Earnings before income taxes & minority interest	**1,011.6**	897.2
Provision for income taxes	**(418.7)**	(364.1)
Minority interest	**(7.8)**	(3.1)
Net earnings	**585.1**	530.0
Earnings per common share *(a)*	**3.21**	2.91
Dividends declared per common share *(a)*	**1.50**	1.40
Earnings as a percentage of sales	**5.1%**	5.2%
Earned on share owners' equity	**18.1%**	18.0%
Cash dividends declared	**$ 272.9**	$ 254.8
Shares outstanding—average *(In thousands) (a)*	**182,051**	182,112
Share owner accounts—average	**537,000**	536,000
Market price range per share *(a) (b)*	**75⅞-55**	73-58¼
Price/earnings ratio range	**24-17**	25-20
Current assets	**$4,485.4**	$3,979.3
Current liabilities	**3,492.4**	2,869.7
Total assets	**8,324.2**	7,[illegible].8
Share owners' equity	**3,372.4**	3,084.6
Plant and equipment additions	**$ 598.6**	$ 435.9
Depreciation	**334.0**	314.3
Employees—average worldwide	**388,000**	369,000
—average U.S.	**304,000**	292,000

GE values in appliances, then and now: 1911 dishwasher with today's Potscrubber®; 1912 GE electric range and today's with self-cleaning oven; 1927 "Monitor top" refrigerator with modern side-by-side refrigerator-freezer; and 1940 room air conditioner, costing $395.95, with today's Carry Cool® priced at $99.95.

(Dollar amounts in millions; per-share amounts in dollars)

1971	1970	1969	1968	1967	1966	1965	1964
$9,425.3	$8,726.7	$8,448.0	$8,381.6	$7,741.2	$7,177.3	$6,213.6	$5,319.2
8,688.3	8,177.8	7,961.4	7,733.8	7,100.3	6,545.3	5,568.1	4,930.6
[illegible]	548.9	486.6	647.8	640.9	632.0	645.5	388.6
152.0	106.8	98.7	86.3	91.4	72.4	72.1	69.9
(96.9)	(101.4)	(78.1)	(70.5)	(62.9)	(39.9)	(27.4)	(21.2)
792.1	554.3	507.2	663.6	669.4	664.5	690.2	437.3
(317.1)	(220.6)	(231.5)	(312.3)	(320.5)	(347.4)	(352.2)	(233.8)
(3.2)	(5.2)	2.3	5.8	12.5	21.8	17.1	16.1
471.8	328.5	278.0	357.1	361.4	338.9	355.1	219.6
2.60	1.81	1.54	1.98	2.00	1.88	1.97	1.22
1.38	1.30	1.30	1.30	1.30	1.30	1.20	1.10
5.0%	3.8%	3.3%	4.3%	4.7%	4.7%	5.7%	4.1%
17.6%	13.2%	11.5%	15.4%	16.5%	16.2%	18.0%	11.7%
$ 249.7	$ 235.4	$ 235.2	$ 234.8	$ 234.2	$ 234.6	$ 216.7	$ 197.7
181,684	181,114	180,965	180,651	180,266	180,609	180,634	179,833
523,000	529,000	520,000	530,000	529,000	530,000	521,000	516,000
66½-46½	47¼-30⅛	49⅛-37	50¼-40⅛	58-41¼	60-40	60⅛-45½	46¾-39⅜
26-18	26-17	32-24	25-20	29-21	32-21	31-23	39-32
$3,639.0	$3,334.8	$3,287.8	$3,311.1	$3,207.6	$3,013.0	$2,842.4	$2,543.8
2,840.4	2,650.3	2,366.7	2,104.3	1,977.4	1,883.2	1,566.8	1,338.9
6,887.8	6,198.5	5,894.0	5,652.5	5,250.3	4,768.1	4,241.5	3,788.2
2,801.8	2,553.6	2,426.5	2,402.1	2,245.3	2,128.1	2,048.1	1,896.4
$ 553.1	$ 581.4	$ 530.6	$ 514.7	$ 561.7	$ 484.9	$ 332.9	$ 237.7
273.6	334.7	351.3	300.1	280.4	233.6	188.4	170.3
363,000	397,000	410,000	396,000	385,000	376,000	333,000	308,000
291,000	*310,000*	*318,000*	*305,000*	*296,000*	*291,000*	*258,000*	*243,000*

(a) Amounts have been adjusted for the two-for-one stock split in April 1971.

(b) Represents high and low market price on New York Stock Exchange for each year.

Requests for Additional Information

Additional information, including financial statements of the General Electric Pension Trust and the Company's Form 10-K Report, are available to share owners upon request. Requests should be sent to:

Investor Relations,
General Electric Company,
570 Lexington Avenue,
New York, N.Y. 10022.

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